

**CAPE AGULHAS LOCAL MUNICIPALITY**



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CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS

**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2020**

# CAPE AGULHAS LOCAL MUNICIPALITY

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# CAPE AGULHAS LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Cape Agulhas Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Cape Agulhas Local Municipality includes the following areas:

|            |              |          |
|------------|--------------|----------|
| Bredasdorp | L'Agulhas    | Protem   |
| Napier     | Arniston     | Klipdale |
| Struisbaai | Suiderstrand | Elim     |

### MEMBERS OF THE COUNCIL

| Position               | Councillor      | Ward         | Additional Portfolio                  |
|------------------------|-----------------|--------------|---------------------------------------|
| Executive Mayor        | PJ Swart        | Ward 5       |                                       |
| Executive Deputy Mayor | Z Tonisi        | Proportional |                                       |
| Speaker                | J G A Nieuwoudt | Ward 4       |                                       |
| Councillor - Full time | G D Burger      | Proportional | Member of Executive Mayoral Committee |
| Councillor - Full time | M October       | Ward 2       | Member of Executive Mayoral Committee |
| Councillor - Part time | D Jantjies      | Proportional |                                       |
| Councillor - Part time | E C Marthinus   | Proportional |                                       |
| Councillor - Part time | E Sauls         | Ward 1       |                                       |
| Councillor - Part time | C J Jacobs      | Proportional | Chairperson of MPAC                   |
| Councillor - Part time | R J Baker       | Ward 3       |                                       |
| Councillor - Part time | D J Europa      | Ward 6       |                                       |

### MUNICIPAL MANAGER

Mr D O'Neill

### CHIEF FINANCIAL OFFICER

Mr H Van Biljon

### REGISTERED OFFICE

1 Dirkie Uys Street, Bredasdorp, 7280

### POSTAL ADDRESS

PO Box 51, Bredasdorp, 7280

# CAPE AGULHAS LOCAL MUNICIPALITY

## GENERAL INFORMATION

### AUDITORS

Office of the Auditor General (WC)

### PRINCIPLE BANKERS

ABSA, Bredasdorp

### ATTORNEYS

Luttig, Badenhorst & Fourie Attorneys

Kruger & Blignaut Attorneys

Bester Attorneys

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

Municipal Cost Containment Regulations, 2019

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 1 to 130 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.


I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

As per Government Gazette no. 43582 dated 5th August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of AFS. The municipality has taken advantage of this exemption.



Mr D O'Neill  
Municipal Manager

30/10/2020

Date

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

|  | Notes | 2020<br>R<br>(Actual) | 2019<br>R<br>(Restated) |
|--|-------|-----------------------|-------------------------|
| <b>ASSETS</b>                              |       |                       |                         |
| <b>Current Assets</b>                      |       | <b>119 662 511</b>    | <b>120 273 358</b>      |
| Cash and Cash Equivalents                  | 2     | 73 041 284            | 83 738 870              |
| Receivables from Exchange Transactions     | 3     | 35 973 677            | 25 419 714              |
| Receivables from Non-exchange Transactions | 4     | 8 380 517             | 9 123 417               |
| Operating Lease Asset                      | 5.1   | 328 033               | 321 642                 |
| Current Portion of Long-term Receivables   | 6     | 2 566                 | 7 681                   |
| Inventory                                  | 7     | 1 936 436             | 1 662 034               |
| <b>Non-current Assets</b>                  |       | <b>475 169 401</b>    | <b>450 235 905</b>      |
| Long-Term Receivables                      | 6     | 160 569               | 184 455                 |
| Investment Property                        | 8     | 40 329 389            | 40 199 780              |
| Property, Plant And Equipment              | 9     | 429 818 439           | 405 146 297             |
| Intangible Assets                          | 10    | 4 861 004             | 4 705 373               |
| <b>Total Assets</b>                        |       | <b>594 831 912</b>    | <b>570 509 263</b>      |
| <b>Current Liabilities</b>                 |       | <b>62 444 181</b>     | <b>58 344 618</b>       |
| Current Portion of Long-Term Liabilities   | 11    | 6 027 216             | 5 962 686               |
| Consumer Deposits                          | 12    | 5 027 528             | 4 696 479               |
| Payables from Exchange Transactions        | 13    | 35 580 486            | 32 593 299              |
| Unspent Conditional Government Grants      | 14    | 291 975               | 1 070 716               |
| Unspent Public Contributions               | 15    | 106 567               | 78 086                  |
| Taxes                                      | 16    | 129 056               | 1 371 806               |
| Operating Lease Liability                  | 5.2   | 31 501                | 29 000                  |
| Current Employee Benefits                  | 17    | 15 249 851            | 12 542 546              |
| <b>Non-current Liabilities</b>             |       | <b>110 504 550</b>    | <b>118 644 523</b>      |
| Long-Term Liabilities                      | 11    | 20 762 900            | 26 790 115              |
| Employee Benefits                          | 18    | 40 989 000            | 44 631 701              |
| Non-Current Provisions                     | 19    | 48 752 651            | 47 222 707              |
| <b>Total Liabilities</b>                   |       | <b>172 948 731</b>    | <b>176 989 142</b>      |
| <b>Net Assets</b>                          |       | <b>421 883 181</b>    | <b>393 520 121</b>      |
| <b>Community Wealth</b>                    |       |                       |                         |
| Accumulated Surplus                        | 20    | 386 883 181           | 358 520 121             |
| Capital Replacement Reserve                | 20    | 35 000 000            | 35 000 000              |
| <b>Total Community Wealth</b>              |       | <b>421 883 180</b>    | <b>393 520 121</b>      |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

| REVENUE   | Notes | 2020<br>R<br>(Actual) | 2019<br>R<br>(Restated) |
|---|-------|-----------------------|-------------------------|
| <b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>     |       | <b>154 400 392</b>    | <b>160 199 034</b>      |
| <b>Taxation Revenue</b>                           |       | <b>71 198 071</b>     | <b>66 106 657</b>       |
| Property Rates                                    | 21    | 71 198 071            | 66 106 657              |
| <b>Transfer Revenue</b>                           |       | <b>66 296 282</b>     | <b>61 918 628</b>       |
| Government Grants and Subsidies - Capital         | 22    | 19 120 254            | 20 682 357              |
| Government Grants and Subsidies - Operating       | 22    | 44 938 863            | 41 189 131              |
| Public Contributions and Donations - Operating    | 23    | 190 030               | 47 140                  |
| Contributed Assets                                | 24    | 2 047 134             | -                       |
| <b>Other Revenue</b>                              |       | <b>16 906 040</b>     | <b>32 173 749</b>       |
| Fines   | 25    | 8 642 918             | 17 574 647              |
| Actuarial Gains                                   | 26    | 8 209 234             | 14 548 917              |
| Third Party - Insurance Receipts                  |       | 53 887                | 50 185                  |
| <b>REVENUE FROM EXCHANGE TRANSACTIONS</b>         |       | <b>216 985 034</b>    | <b>198 464 559</b>      |
| <b>Operating Activities</b>                       |       | <b>216 985 034</b>    | <b>198 464 559</b>      |
| Service Charges                                   | 27    | 182 496 443           | 166 006 985             |
| Rental of Facilities and Equipment                | 28    | 8 667 864             | 8 530 947               |
| Interest Earned - External Investments            |       | 6 282 982             | 5 168 649               |
| Interest Earned - Outstanding Debtors             | 29    | 1 380 847             | 2 382 181               |
| Licences and Permits                              | 30    | 721 743               | 1 203 775               |
| Agency Services                                   | 31    | 1 951 011             | 2 086 914               |
| Other Income                                      | 32    | 10 430 238            | 7 710 865               |
| Gains on Disposal of Properties                   |       | 5 053 906             | 5 374 242               |
| <b>TOTAL REVENUE</b>                              |       | <b>371 385 426</b>    | <b>358 663 593</b>      |
| <b>EXPENDITURE</b>                                |       |                       |                         |
| Employee Related Costs                            | 33    | 137 733 576           | 125 207 668             |
| Remuneration of Councillors                       | 34    | 5 631 724             | 5 441 248               |
| Debt Impairment                                   | 35    | 19 860 753            | 23 471 071              |
| Depreciation and Amortisation                     | 36    | 15 202 929            | 13 604 848              |
| Impairments                                       | 37    | 4 387                 | -                       |
| Actuarial Losses                                  | 39    | 65 921                | -                       |
| Finance Charges                                   | 40    | 10 855 080            | 10 704 907              |
| Bulk Purchases                                    | 41    | 89 330 846            | 76 760 692              |
| Contracted Services                               | 42    | 24 606 371            | 25 013 541              |
| Transfers and Grants                              | 43    | 3 455 128             | 580 970                 |
| Other Expenditure                                 | 44    | 35 877 889            | 35 718 742              |
| Loss on Disposal of Property, Plant and Equipment |       | 397 763               | 168 710                 |
| <b>TOTAL EXPENDITURE</b>                          |       | <b>343 022 367</b>    | <b>316 672 396</b>      |
| <b>NET SURPLUS FOR THE YEAR</b>                   |       | <b>28 363 059</b>     | <b>41 991 196</b>       |

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2020

|  | CAPITAL<br>REPLACEMENT<br>RESERVE<br>R | ACCUMULATED<br>SURPLUS<br>R | TOTAL<br>R         |
|--|--|-----------------------------|--------------------|
| <b>Balance on 30 June 2018 - Previously<br/>Reported</b> | <b>30 000 000</b>                      | <b>313 772 897</b>          | <b>343 772 897</b> |
| Prior Period Adjustment - Refer to note 45.08            | -                                      | 7 756 027                   | 7 756 027          |
| <b>Balance on 30 June 2018 - Restated</b>                | <b>30 000 000</b>                      | <b>321 528 925</b>          | <b>351 528 925</b> |
| Net Surplus for the Year                                 | -                                      | 41 991 196                  | 41 991 196         |
| Transfers to Reserves                                    | 14 940 056                             | (14 940 056)                | -                  |
| Property, Plant and Equipment Purchased                  | (9 940 056)                            | 9 940 056                   | -                  |
| <b>Balance on 30 June 2019 - Restated</b>                | <b>35 000 000</b>                      | <b>358 520 121</b>          | <b>393 520 121</b> |
| Net Surplus for the Year                                 | -                                      | 28 363 059                  | 28 363 059         |
| Transfers to Reserves                                    | 14 169 472                             | (14 169 472)                | -                  |
| Property, Plant and Equipment Purchased                  | (14 169 472)                           | 14 169 472                  | -                  |
| <b>Balance on 30 June 2020</b>                           | <b>35 000 000</b>                      | <b>386 883 181</b>          | <b>421 883 180</b> |



# CAPE AGULHAS LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

|  | Notes     | 2020<br>R<br>(Actual) | 2019<br>R<br>(Restated) |
|--|-----------|-----------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |           |                       |                         |
| <b>Receipts</b>  |           |                       |                         |
| Property Rates   |           | 70 120 375            | 63 449 416              |
| Service Charges  |           | 170 183 681           | 159 304 825             |
| Other Revenue  |           | 15 066 562            | 22 740 322              |
| Government - Operating                                 |           | 44 116 011            | 42 118 265              |
| Government - Capital                                   |           | 19 164 365            | 20 423 479              |
| Interest   |           | 7 663 829             | 7 550 830               |
| <b>Payments</b>  |           |                       |                         |
| Suppliers and Employees                                |           | (288 712 583)         | (257 634 422)           |
| Finance Charges  |           | (3 091 359)           | (1 856 421)             |
| Transfers and Grants                                   |           | (3 455 128)           | (580 970)               |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              | <b>46</b> | <b>31 055 754</b>     | <b>55 515 323</b>       |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |           |                       |                         |
| <b>Receipts</b>  |           |                       |                         |
| Proceeds on Disposal of Assets                         |           | 5 073 906             | 5 410 131               |
| Increase in Long-Term Receivables                      |           | (639 137)             | (1 392 051)             |
| <b>Payments</b>  |           |                       |                         |
| Purchase of Property, Plant and Equipment              |           | (39 360 474)          | (36 850 926)            |
| Purchase of Investment Property                        |           | (313 064)             | -                       |
| Purchase of Intangible Assets                          |           | (882 934)             | (394 788)               |
| <b>NET CASH USED INVESTING ACTIVITIES</b>              |           | <b>(36 121 703)</b>   | <b>(33 227 633)</b>     |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |           |                       |                         |
| <b>Receipts</b>  |           |                       |                         |
| New loans raised                                       |           | -                     | 17 000 000              |
| Increase in Consumer Deposits                          |           | 331 049               | 189 029                 |
| <b>Payments</b>  |           |                       |                         |
| Loans Repaid   |           | (5 962 686)           | (3 506 160)             |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>       |           | <b>(5 631 637)</b>    | <b>13 682 869</b>       |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>            |           | <b>(10 697 586)</b>   | <b>35 970 559</b>       |
| Cash and Cash Equivalents at the beginning of the year |           | 83 738 870            | 47 768 311              |
| Cash and Cash Equivalents at the end of the year       | <b>47</b> | 73 041 284            | 83 738 870              |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>            |           | <b>(10 697 586)</b>   | <b>35 970 559</b>       |

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

|  | 2020<br>R<br>(Actual) | 2020<br>R<br>(Final Budget) | 2020<br>R<br>(Variance) |
|--|-----------------------|-----------------------------|-------------------------|
| <b>ASSETS</b>                            |                       |                             |                         |
| <b>Current Assets</b>                    |                       |                             |                         |
| Cash                                     | 49 252 284            | 13 706 261                  | 35 546 022              |
| Call Investment Deposits                 | 23 789 000            | 50 000 000                  | (26 211 000)            |
| Consumer Debtors                         | 34 528 440            | 36 731 001                  | (2 202 561)             |
| Other Receivables                        | 10 153 786            | 7 780 454                   | 2 373 332               |
| Current portion of Long-Term Receivables | 2 566                 | 8 114                       | (5 549)                 |
| Inventory                                | 1 936 436             | 1 662 034                   | 274 402                 |
| <b>Total Current Assets</b>              | <b>119 662 511</b>    | <b>109 887 864</b>          | <b>9 774 646</b>        |
| <b>Non Current Assets</b>                |                       |                             |                         |
| Long-Term Receivables                    | 160 569               | 176 341                     | (15 771)                |
| Investment Property                      | 40 329 389            | 40 190 880                  | 138 509                 |
| Property, Plant and Equipment            | 429 818 439           | 407 728 402                 | 22 090 037              |
| Intangible Assets                        | 4 861 004             | 4 531 273                   | 329 731                 |
| <b>Total Non-Current Assets</b>          | <b>475 169 401</b>    | <b>452 626 896</b>          | <b>22 542 506</b>       |
| <b>TOTAL ASSETS</b>                      | <b>594 831 912</b>    | <b>562 514 760</b>          | <b>32 317 152</b>       |
| <b>LIABILITIES</b>                       |                       |                             |                         |
| <b>Current Liabilities</b>               |                       |                             |                         |
| Borrowing                                | 6 027 216             | 6 558 954                   | (531 738)               |
| Consumer Deposits                        | 5 027 528             | 4 978 268                   | 49 260                  |
| Trade and Other Payables                 | 36 139 586            | 39 689 304                  | (3 549 718)             |
| Provisions and Employee Benefits         | 15 249 851            | 13 295 099                  | 1 954 752               |
| <b>Total Current Liabilities</b>         | <b>62 444 182</b>     | <b>64 521 625</b>           | <b>(2 077 444)</b>      |
| <b>Non-Current Liabilities</b>           |                       |                             |                         |
| Borrowing                                | 20 762 900            | 20 790 115                  | (27 216)                |
| Provisions and Employee Benefits         | 89 741 651            | 71 634 747                  | 18 106 904              |
| <b>Total Non-Current Liabilities</b>     | <b>110 504 550</b>    | <b>92 424 862</b>           | <b>18 079 688</b>       |
| <b>TOTAL LIABILITIES</b>                 | <b>172 948 732</b>    | <b>156 946 487</b>          | <b>16 002 244</b>       |
| <b>NET ASSETS</b>                        | <b>421 883 181</b>    | <b>405 568 273</b>          | <b>16 314 907</b>       |
| <b>COMMUNITY WEALTH</b>                  |                       |                             |                         |
| Accumulated Surplus                      | 386 883 181           | 370 568 273                 | 16 314 907              |
| Reserves                                 | 35 000 000            | 35 000 000                  | -                       |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | <b>421 883 180</b>    | <b>405 568 273</b>          | <b>16 314 907</b>       |

Refer to note 48.2 for further details relating to material variances.

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

#### ADJUSTMENTS TO APPROVED BUDGET

|  | 2020<br>R          | 2020<br>R           | 2020<br>R<br>(Final and<br>Approved<br>Budget) |
|--|--------------------|---------------------|--|
|  | (Original Budget)  | (Adjustments)       |  |
| <b>ASSETS</b>                            |                    |                     |  |
| <b>Current assets</b>                    |                    |                     |  |
| Cash                                     | 12 191 844         | 1 514 417           | 13 706 261                                     |
| Call Investment Deposits                 | 10 000 000         | 40 000 000          | 50 000 000                                     |
| Consumer Debtors                         | 35 989 540         | 741 461             | 36 731 001                                     |
| Other Receivables                        | 6 592 918          | 1 187 536           | 7 780 454                                      |
| Current portion of Long-Term Receivables | 7 248              | 867                 | 8 114  |
| Inventory                                | 1 307 597          | 354 437             | 1 662 034                                      |
| <b>Total Current Assets</b>              | <b>66 089 146</b>  | <b>43 798 718</b>   | <b>109 887 864</b>                             |
| <b>Non-Current Assets</b>                |                    |                     |  |
| Long-Term Receivables                    | 197 124            | (20 784)            | 176 341  |
| Investment Property                      | 40 535 860         | (344 980)           | 40 190 880                                     |
| Property, Plant And Equipment            | 443 187 754        | (35 459 352)        | 407 728 402                                    |
| Intangible Assets                        | 4 801 196          | (269 923)           | 4 531 273                                      |
| <b>Total Non Current Assets</b>          | <b>721 935</b>     | <b>(36 095 039)</b> | <b>452 626 896</b>                             |
| <b>TOTAL ASSETS</b>                      | <b>554 811 081</b> | <b>7 703 679</b>    | <b>562 514 760</b>                             |
| <b>LIABILITIES</b>                       |                    |                     |  |
| <b>Current Liabilities</b>               |                    |                     |  |
| Borrowing                                | 5 300 000          | 1 258 954           | 6 558 954                                      |
| Consumer Deposits                        | 5 019 201          | (40 933)            | 4 978 268                                      |
| Trade and Other Payables                 | 32 883 304         | 6 806 000           | 39 689 304                                     |
| Provisions and Employee Benefits         | 12 973 006         | 322 093             | 13 295 099                                     |
| <b>Total Current Liabilities</b>         | <b>56 175 511</b>  | <b>8 346 114</b>    | <b>64 521 625</b>                              |
| <b>Non Current Liabilities</b>           |                    |                     |  |
| Borrowing                                | 22 031 397         | (1 241 281)         | 20 790 115                                     |
| Provisions and Employee Benefits         | 138 928 140        | (67 293 394)        | 71 634 747                                     |
| <b>Total Non-Current Liabilities</b>     | <b>160 959 537</b> | <b>(68 534 675)</b> | <b>92 424 862</b>                              |
| <b>TOTAL LIABILITIES</b>                 | <b>217 135 048</b> | <b>(60 188 561)</b> | <b>156 946 487</b>                             |
| <b>NET ASSETS</b>                        | <b>337 676 033</b> | <b>67 892 240</b>   | <b>405 568 273</b>                             |
| <b>COMMUNITY WEALTH</b>                  |                    |                     |  |
| Accumulated Surplus                      | 315 676 033        | 54 892 240          | 370 568 273                                    |
| Reserves                                 | 22 000 000         | 13 000 000          | 35 000 000                                     |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | <b>337 676 033</b> | <b>67 892 240</b>   | <b>405 568 273</b>                             |

Refer to note 48.2 for further details relating to material variances.

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

|   | 2020<br>■<br>(Actual) | 2020<br>R<br>(Final Budget) | 2020<br>R<br>(Variance) |
|---|-----------------------|-----------------------------|-------------------------|
| <b>REVENUE BY SOURCE</b>                          |                       |                             |                         |
| Property Rates                                    | 71 198 071            | 69 193 000                  | 2 005 071               |
| Service Charges - Electricity Revenue             | 122 224 269           | 126 232 100                 | (4 007 831)             |
| Service Charges - Water Revenue                   | 27 451 147            | 28 204 000                  | (752 853)               |
| Service Charges - Sanitation Revenue              | 12 969 507            | 11 840 000                  | 1 129 507               |
| Service Charges - Refuse Revenue                  | 19 851 521            | 17 798 300                  | 2 053 221               |
| Rental Of Facilities and Equipment                | 8 667 864             | 1 960 700                   | 6 707 164               |
| Interest Earned - External Investments            | 6 282 982             | 3 200 800                   | 3 082 182               |
| Interest Earned - Outstanding Debtors             | 1 380 847             | 1 718 500                   | (337 653)               |
| Fines, penalties and forfeits                     | 8 642 918             | 11 589 900                  | (2 946 982)             |
| Licences and Permits                              | 721 743               | 66 700                      | 655 043                 |
| Agency Services                                   | 1 951 011             | 2 916 800                   | (965 789)               |
| Transfers Recognised - Operational                | 44 938 863            | 101 477 757                 | (56 538 894)            |
| Other Revenue                                     | 18 883 390            | 10 206 100                  | 8 677 290               |
| Gains on Disposal of Properties                   | 5 053 906             | 5 000 000                   | 53 906                  |
| <b>TOTAL OPERATING REVENUE</b>                    | <b>350 218</b>        | <b>391 404 657</b>          | <b>(41 186 619)</b>     |
| <b>EXPENDITURE BY TYPE</b>                        |                       |                             |                         |
| Employee Related Costs                            | 137 733 576           | 136 056 530                 | 1 677 046               |
| Remuneration of Councillors                       | 5 631 724             | 5 763 700                   | (131 976)               |
| Debt Impairment                                   | 19 860 753            | 11 267 458                  | 8 593 295               |
| Depreciation & Asset Impairment                   | 15 207 316            | 11 025 100                  | 4 182 216               |
| Finance Charges                                   | 10 855 080            | 11 066 224                  | (211 144)               |
| Bulk Purchases                                    | 89 330 846            | 84 394 190                  | 4 936 656               |
| Contracted Services                               | 24 606 371            | 23 007 344                  | 1 599 027               |
| Transfers and Grants                              | 3 455 128             | 3 955 870                   | (500 742)               |
| Other Expenditure and Materials                   | 35 943 810            | 107 219 093                 | (71 275 283)            |
| Loss on Disposal of Property, Plant and Equipment | 397 763               | -                           | 397 763                 |
| <b>TOTAL OPERATING EXPENDITURE</b>                | <b>343 022 367</b>    | <b>393 755 509</b>          | <b>(50 733 142)</b>     |
| <b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>   |                       |                             |                         |
|   | <b>7 195 671</b>      | <b>(2 350 852)</b>          | <b>9 546 523</b>        |
| Transfers Recognised - Capital                    | 19 120 254            | 19 767 087                  | (646 833)               |
| Contributed Assets                                | 2 047 134             | -                           | 2 047 134               |
| <b>NET SURPLUS FOR THE YEAR</b>                   | <b>28 363 059</b>     | <b>17 416 235</b>           | <b>10 946 824</b>       |

Refer to note 48.2 for further details relating to material variances.

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

#### ADJUSTMENTS TO APPROVED BUDGET

|   | 2020<br>R<br>(Original<br>Budget) | 2020<br>R<br>(Adjustments) | 2020<br>R<br>(Approved<br>Budget) | 2020<br>R<br>(Virements) | 2020<br>R<br>(Final Budget) |
|---|-----------------------------------|----------------------------|-----------------------------------|--------------------------|-----------------------------|
| <b>REVENUE BY SOURCE</b>                        |                                   |                            |                                   |                          |                             |
| Property Rates                                  | 69 193 000                        | -                          | 69 193 000                        | -                        | 69 193 000                  |
| Service Charges - Electricity Revenue           | 120 785 900                       | 5 446 200                  | 126 232 100                       | -                        | 126 232 100                 |
| Service Charges - Water Revenue                 | 28 204 000                        | -                          | 28 204 000                        | -                        | 28 204 000                  |
| Service Charges - Sanitation Revenue            | 11 310 000                        | 530 000                    | 11 840 000                        | -                        | 11 840 000                  |
| Service Charges - Refuse Revenue                | 17 798 300                        | -                          | 17 798 300                        | -                        | 17 798 300                  |
| Rental of Facilities and Equipment              | 1 960 700                         | -                          | 1 960 700                         | -                        | 1 960 700                   |
| Interest Earned - External Investments          | 2 445 900                         | 754 900                    | 3 200 800                         | -                        | 3 200 800                   |
| Interest Earned - Outstanding Debtors           | 1 718 500                         | -                          | 1 718 500                         | -                        | 1 718 500                   |
| Fines, penalties and forfeits                   | 11 639 900                        | (50 000)                   | 11 589 900                        | -                        | 11 589 900                  |
| Licences and Permits                            | 66 700                            | -                          | 66 700                            | -                        | 66 700                      |
| Agency Services                                 | 2 916 800                         | -                          | 2 916 800                         | -                        | 2 916 800                   |
| Transfers Recognised - Operational              | 98 669 913                        | 2 807 844                  | 101 477 757                       | -                        | 101 477 757                 |
| Other Revenue                                   | 9 805 100                         | 401 000                    | 10 206 100                        | -                        | 10 206 100                  |
| Gains on Disposal of Properties                 | 5 000 000                         | -                          | 5 000 000                         | -                        | 5 000 000                   |
| <b>TOTAL OPERATING REVENUE</b>                  | <b>381 514 713</b>                | <b>9 944</b>               | <b>391 404 657</b>                | <b>-</b>                 | <b>391 404 657</b>          |
| <b>EXPENDITURE BY TYPE</b>                      |                                   |                            |                                   |                          |                             |
| Employee Related Costs                          | 134 136 490                       | 1 920 040                  | 136 056 530                       | -                        | 136 056 530                 |
| Remuneration of Councillors                     | 5 763 700                         | -                          | 5 763 700                         | -                        | 5 763 700                   |
| Debt Impairment                                 | 11 267 458                        | -                          | 11 267 458                        | -                        | 11 267 458                  |
| Depreciation & Asset Impairment                 | 11 025 100                        | -                          | 11 025 100                        | -                        | 11 025 100                  |
| Finance Charges                                 | 12 762 870                        | (1 696 646)                | 11 066 224                        | -                        | 11 066 224                  |
| Bulk Purchases                                  | 88 404 190                        | (4 010 000)                | 84 394 190                        | -                        | 84 394 190                  |
| Contracted Services                             | 28 209 600                        | (5 155 256)                | 23 054 344                        | (47 000)                 | 23 007 344                  |
| Transfers and Grants                            | 2 025 900                         | 1 929 970                  | 3 955 870                         | -                        | 3 955 870                   |
| Other Expenditure and Materials                 | 100 739 210                       | 6 432 883                  | 107 172 093                       | 47 000                   | 107 219 093                 |
| <b>TOTAL OPERATING EXPENDITURE</b>              | <b>394 334 518</b>                | <b>(579 009)</b>           | <b>393 755 509</b>                | <b>-</b>                 | <b>393 755 509</b>          |
| <b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b> |                                   |                            |                                   |                          |                             |
|   | <b>(12 819 805)</b>               | <b>10 468 953</b>          | <b>(2 350 852)</b>                | <b>-</b>                 | <b>(2 350 852)</b>          |
| Transfers Recognised - Capital                  | 12 941 087                        | 6 826 000                  | 19 767 087                        | -                        | 19 767 087                  |
| <b>NET SURPLUS FOR THE YEAR</b>                 | <b>121 282</b>                    | <b>17 294 953</b>          | <b>17 416 235</b>                 | <b>-</b>                 | <b>17 416 235</b>           |

Refer to note 48.2 for further details relating to material variances.

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

|  | 2020<br>R<br>(Actual) | 2020<br>R<br>(Final Budget) | 2020<br>R<br>(Variance) |
|--|-----------------------|-----------------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |                       |                             |                         |
| <b>Receipts</b>  |                       |                             |                         |
| Property Rates   | 70 120 375            | 65 445 137                  | 4 675 238               |
| Service Charges  | 170 183 681           | 174 103 945                 | (3 920 264)             |
| Other Revenue  | 15 066 562            | 18 174 860                  | (3 108 297)             |
| Government - Operating                                 | 44 116 011            | 101 411 913                 | (57 295 902)            |
| Government - Capital                                   | 19 164 365            | 19 116 087                  | 48 278                  |
| Interest   | 7 663 829             | 4 826 217                   | 2 837 613               |
| <b>Payments</b>  |                       |                             |                         |
| Suppliers and Employees                                | (288 712 583)         | (353 786 766)               | 65 074 183              |
| Finance Charges  | (3 091 359)           | (3 355 700)                 | 264 341                 |
| Transfers and Grants                                   | (3 455 128)           | (2 571 000)                 | (884 128)               |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              | <b>31 055 754</b>     | <b>23 364 692</b>           | <b>7 691 062</b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                       |                             |                         |
| <b>Receipts</b>  |                       |                             |                         |
| Proceeds on Disposal of Assets                         | 5 073 906             | 5 000 000                   | 73 906                  |
| Receivables  | (639 137)             | 7 681                       | (646 818)               |
| <b>Payments</b>  |                       |                             |                         |
| Capital Assets   | (40 556 472)          | (43 283 039)                | 2 726 567               |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>           | <b>(36 121 703)</b>   | <b>(38 275 358)</b>         | <b>2 153 655</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                       |                             |                         |
| <b>Receipts</b>  |                       |                             |                         |
| Increase in Consumer Deposits                          | 331 049               | 281 789                     | 49 260                  |
| <b>Payments</b>  |                       |                             |                         |
| Loans Repaid   | (5 962 686)           | (5 403 731)                 | (558 954)               |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>           | <b>(5 631 637)</b>    | <b>(5 121 943)</b>          | <b>(509 694)</b>        |
| <b>NET DECREASE IN CASH HELD</b>                       | <b>(10 697 586)</b>   | <b>(20 032 609)</b>         | <b>9 335 023</b>        |
| Cash and Cash Equivalents at the beginning of the year | 83 738 870            | 83 738 870                  | -                       |
| Cash and Cash Equivalents at the end of the year       | 73 041 284            | 63 706 261                  | 9 335 023               |
| <b>NET DECREASE ■ CASH HELD</b>                        | <b>(10 697 586)</b>   | <b>(20 032 609)</b>         | <b>9 335 023</b>        |

Refer to note 48.2 for further details relating to material variances.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

#### ADJUSTMENTS TO APPROVED BUDGET

|  | 2020<br>R           | 2020<br>R           | 2020<br>R<br>(Final and<br>Approved<br>Budget) |
|--|---------------------|---------------------|--|
|  | (Original Budget)   | (Adjustments)       |  |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |                     |                     |  |
| <b>Receipts</b>  |                     |                     |  |
| Property Rates   | 67 809 140          | (2 364 003)         | 65 445 137                                     |
| Service Charges  | 174 536 236         | (432 291)           | 174 103 945                                    |
| Other Revenue  | 17 854 354          | 320 506             | 18 174 860                                     |
| Government - Operating                                 | 98 669 913          | 2 742 000           | 101 411 913                                    |
| Government - Capital                                   | 12 441 087          | 6 675 000           | 19 116 087                                     |
| Interest   | 4 130 030           | 696 187             | 4 826 217                                      |
| <b>Payments</b>  |                     |                     |  |
| Suppliers and Employees                                | (358 379 125)       | 4 592 358           | (353 786 766)                                  |
| Finance Charges  | (2 864 200)         | (491 500)           | (3 355 700)                                    |
| Transfers and Grants                                   | (2 025 900)         | (545 100)           | (2 571 000)                                    |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              | <b>12 171 535</b>   | <b>11 193 156</b>   | <b>23 364 692</b>                              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                     |                     |  |
| <b>Receipts</b>  |                     |                     |  |
| Proceeds on disposal of PPE                            | 5 000 000           | -                   | 5 000 000                                      |
| Decrease in Non-Current Receivables                    | 7 248               | 433                 | 7 681  |
| <b>Payments</b>  |                     |                     |  |
| Capital Assets   | (47 208 739)        | 3 925 700           | (43 283 039)                                   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>           | <b>(42 201 491)</b> | <b>3 926 133</b>    | <b>(38 275 358)</b>                            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                     |                     |  |
| <b>Receipts</b>  |                     |                     |  |
| New Loans Raised                                       | 16 778 596          | (16 778 596)        | -  |
| Increase in Consumer Deposits                          | 241 304             | 40 485              | 281 789  |
| <b>Payments</b>  |                     |                     |  |
| Loans Repaid   | (5 200 000)         | (203 731)           | (5 403 731)                                    |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>       | <b>11 819 900</b>   | <b>(16 941 842)</b> | <b>(5 121 943)</b>                             |
| <b>NET DECREASE IN CASH HELD</b>                       | <b>(18 210 056)</b> | <b>(1 822 553)</b>  | <b>(20 032 609)</b>                            |
| Cash and Cash Equivalents at the beginning of the year | 40 401 900          | 43 336 970          | 83 738 870                                     |
| Cash and Cash Equivalents at the end of the year       | 22 191 844          | 41 514 417          | 63 706 261                                     |
| <b>NET DECREASE IN CASH HELD</b>                       | <b>(18 210 056)</b> | <b>(1 822 553)</b>  | <b>(20 032 609)</b>                            |

Refer to note 48.2 for further details relating to material variances.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1.1.1. THE FINANCIAL STATEMENTS HAVE BEEN PREPARED ON AN ACCRUAL BASIS OF ACCOUNTING AND ARE IN ACCORDANCE WITH HISTORICAL COST CONVENTION, UNLESS SPECIFIED OTHERWISE.

### 1 ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### 1.2 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

#### 1.3 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### 1.4 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.5 COMPARATIVE INFORMATION

#### 1.5.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

### 1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.7 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.8.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the Amendments to the Standards of GRAP for "Presentation of Financial Statements" which was issued in April 2019. The amendments effected the following Standards of GRAP:

| Standard | Description                              | Effective Date |
|----------|--|----------------|
| GRAP 1   | Presentation of Financial Statements     | 1 April 2020   |
| GRAP 21  | Impairment of Non-cash-generating Assets | 1 April 2020   |
| GRAP 23  | Impairment of Cash-generating Assets     | 1 April 2020   |
| GRAP 104 | Financial Instruments                    | 1 April 2020   |

The Municipality also resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements effected the following Standards of GRAP:

| Standard    | Description   | Effective Date |
|-------------|---|----------------|
| GRAP 5      | Borrowing Costs   | 1 April 2021   |
| GRAP 13     | Leases  | 1 April 2021   |
| GRAP 16     | Investment Property   | 1 April 2021   |
| GRAP 17     | Property Plant and Equipment                                    | 1 April 2021   |
| GRAP 24     | Presentation of Budget Information in Financial Statements      | 1 April 2021   |
| GRAP 31     | Intangible Assets   | 1 April 2021   |
| GRAP 32     | Service Concession Arrangements: Grantor                        | 1 April 2021   |
| GRAP 37     | Joint Arrangements  | 1 April 2021   |
| GRAP 106    | Transfer of Functions Between Entities Not Under Common Control | 1 April 2021   |
| Directive 7 | The Application of Deemed Cost                                  | 1 April 2021   |

The effect of the above-mentioned amendments and improvements to the Standards of GRAP which were early adopted is considered insignificant. The amendments and improvements to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 14 - "The Application of Standards of GRAP by Public Entities that apply IFRS Standards" (effective 1 April 2021) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

#### 1.8.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### 1.8.2 GRAP 34 - Separate Financial Statements (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

#### 1.8.3 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### 1.8.4 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for Investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### 1.8.5 GRAP 37 - Joint Arrangements (effective 1 April 2020)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

#### 1.8.6 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1.8. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

#### 1.8.7 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

#### 1.8.8 IGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

### 1.8.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

#### 1.8.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.9 INVESTMENT PROPERTY

#### 1.9.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 1.9.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.9.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 1.9 INVESTMENT PROPERTY (CONTINUED)

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

|           | YEARS      |
|-----------|------------|
| Buildings | 100        |
| Land      | Indefinite |

#### 1.9.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.9.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020: Cape Agulhas Local Municipality - Annual Report 2020

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

|                             | YEARS    |                                | YEARS      |
|-----------------------------|----------|--------------------------------|------------|
| <b>Infrastructure</b>       |          | <b>Land and Buildings</b>      |            |
| Roads and Storm water       | 8 - 99   | Buildings and                  |            |
| Electricity Network         | 10 - 100 | Improvements                   | 10 - 120   |
| Sewerage Network            | 13 - 89  | Land                           | Indefinite |
| Water Network               | 10 - 102 |                                |            |
| Refuse Removal              | 10 - 64  | <b>Other Assets</b>            |            |
|                             |          | Computer Hardware              | 5 - 20     |
| <b>Community</b>            |          | Furniture and                  |            |
| Cemeteries                  | 100      | Office Equipment               | 8 - 30     |
| Clinics                     | 100      | Vehicles                       | 8 - 50     |
| Community Halls             | 5 - 100  | Special Vehicles               | 15 - 50    |
| Libraries                   | 10 - 120 | Tools and Equipment            | 8 - 33     |
| Parks & Gardens             | 20 - 100 | Other                          | 10 - 50    |
| Recreation Grounds          | 50 - 100 |                                |            |
| Sports facilities           | 10 - 100 | <b>Capitalised Restoration</b> |            |
|                             |          | Cost                           |            |
| <b>Finance lease assets</b> |          | Landfill Sites                 | 2 - 52     |
| Office Machines             | 3 - 15   |                                |            |

#### 1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 1.11 INTANGIBLE ASSETS

#### 1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for ■ non-monetary asset or monetary assets, or ■ combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to ■ strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

#### 1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are presented in the following format:

### 1.11 INTANGIBLE ASSETS (CONTINUED)

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

|                   | Years  |
|-------------------|--------|
| Computer Software | 5 - 10 |

#### 1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the year ending 30 June 2020

### 1.12 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

#### 1.12.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### 1.12.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of ■ non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### 1.12.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020 were approved by the Council of Cape Agulhas Local Municipality on 15 July 2020.

### 1.12 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

#### 1.12.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 INVENTORIES

#### 1.13.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 1.13 INVENTORIES (CONTINUED)

#### 1.13.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### 1.14 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

#### 1.14.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

#### 1.14.1.1 Multi-employer defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### 1.14.1.2 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between ■ past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of ■ minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.14.2 Long-term Benefits

#### 1.14.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.14.3 Short-term Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

##### 1.14.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

##### 1.14.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1.14.3.3 Provision for Performance Bonuses

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

#### 1.14.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 1.15 PROVISIONS

A provision is ■ liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as ■ provision.

Where some or all of the expenditure required to settle ■ provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has ■ detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.16 LEASES

A lease is classified as ■ finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 1.16.1 Municipality as Lessee

##### 1.16.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so ■ to produce ■ constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

##### 1.16.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

#### 1.16.2 Municipality ■ Lessor

##### 1.16.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on ■ straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Instruments

### 1.17 FINANCIAL INSTRUMENTS

#### 1.17.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### 1.17.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.17 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.17.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

##### 1.17.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

##### 1.17.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

#### 1.17.4 Derecognition of financial instruments

##### 1.17.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.17 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.17.4.2 Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

#### 1.17.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 1.18 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### 1.18.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

#### 1.18.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

#### 1.18.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the Year Ending 30 June 2020

### 1.18 STATUTORY RECEIVABLES (CONTINUED)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.18.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

### 1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

### 1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

### 1.21 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 were approved by the Council on 15 July 2020.

### 1.22 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.24 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.25 RESERVES

#### 1.25.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

- (a) The cash funds that back up the CRR are invested until utilised.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.25 RESERVES (CONTINUED)

- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

### 1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

##### 1.26.1.1 Taxation Revenue

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 1.26.1.2 Transfer Revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

##### 1.26.1.3 Fines

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment. In cases where fines and summonses are issued by another government departments, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### 1.26.1.4 Insurance Receipts

#### 1.26.1.5 Unclaimed deposits

#### 1.26.1.6 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

#### 1.26.1.7 Services in-kind

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 1.26 REVENUE (CONTINUED)

#### 1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

##### 1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

##### 1.26.2.2 Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

##### 1.26.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.26 REVENUE (CONTINUED)

#### 1.26.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### 1.26.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

#### 1.26.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

### 1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

### 1.32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020

### 1.33 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.34 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.35 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the Municipality and ■ related party, regardless of whether a price is charged.

Management is considered ■ related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances, and the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

## 1.35 RELATED PARTIES (CONTINUED)

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

## 1.36 ACCOUNTING BY PRINCIPLES AND AGENTS

An agent is an entity that has been directed another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principle and for the benefit of the principle.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from ■ binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement shall re-assess whether they act as a principal or an agent in accordance with this Standard.

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.36 ACCOUNTING BY PRINCIPLES AND AGENTS (CONTINUED)

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use **all**, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

Where the Municipality acts as an agent, it recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.37.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.37.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.37.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

#### 1.37.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

#### 1.37.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 1.37.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

#### 1.37.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

#### 1.37.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

#### 1.37.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

#### 1.37.10 Recognition and Derecognition of Land

In order for land to meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

#### 1.37.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|                                    | 2020<br>R         | 2019<br>R         |
|------------------------------------|-------------------|-------------------|
| <b>2 CASH AND CASH EQUIVALENTS</b> |                   |                   |
| Primary Bank Account               | 49 235 916        | 25 468 502        |
| Call and Notice Deposits           | 23 789 000        | 58 254 000        |
| Cash Floats                        | 16 368            | 16 368            |
| <b>Total</b>                       | <b>73 041 284</b> | <b>83 738 870</b> |

Due to the short term nature of cash deposits, all balances included above is in line with their fair value

Cash and Cash Equivalents are held to support the following commitments:

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Unspent Conditional Grants   | 291 975           | 1 070 716         |
| Unspent Public Contributions | 106 567           | 78 086            |
| Unspent Annuity Loans        | 13 183 804        | 20 893 080        |
| Capital Replacement Reserve  | 35 000 000        | 35 000 000        |
| Committed Investments        | 3 789 000         | 1 254 000         |
| Working Capital Requirements | 20 669 937        | 25 442 988        |
| <b>Total</b>                 | <b>73 041 284</b> | <b>83 738 870</b> |

The prior year disclosure incorrectly omitted the Committed Investments

### Primary Bank Account

Bredasdorp ABSA - Account number 40 5883 2586

|  |            |            |
|--|------------|------------|
| Bank Statement Balance - Opening Balance | 26 805 860 | 28 787 116 |
| Bank Statement Balance - Closing Balance | 48 749 473 | 26 805 860 |
| Cashbook Balance - Opening Balance       | 25 468 502 | 32 751 461 |
| Cashbook Balance - Closing Balance       | 49 235 916 | 25 468 502 |

### Other Bank Accounts

Bredasdorp ABSA - Account number 40 6412 1626

The municipality utilises this account for traffic fine deposits. The account is cleared to the Primary Account on a monthly basis. There are no cash book balance nor bank account balance on 30 June 2019 and 30 June 2020.

Guarantees relating to the following entities are held at ABSA:

|                 |        |        |
|-----------------|--------|--------|
| The Post Office | 50 000 | 50 000 |
|-----------------|--------|--------|

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>2 CASH AND CASH EQUIVALENTS (CONTINUED)</b>        |                   |                   |
| <b>Call and Notice Deposits</b>                       |                   |                   |
| Call and Notice Deposits consist out of the following |                   |                   |
| ABSA - Acc No 2078493223                              | 1 254 000         | 1 254 000         |
| ABSA - Acc No 2079252816                              | 2 535 000         | -                 |
| Nedbank - Acc No 7881714298/155                       | 20 000 000        | -                 |
| Nedbank - Acc No 7881714298/144                       | -                 | 30 000 000        |
| Nedbank - Acc No 7881714298/145                       | -                 | 17 000 000        |
| Standard Bank - Acc No 478526628                      | -                 | 10 000 000        |
| <b>Total</b>  | <b>23 789 000</b> | <b>58 254 000</b> |

Interest between 4.50% and 6.52% (2019 - 7.65% and 8.10%) were attracted by these short term deposits.

The ABSA Investments, Acc No 2078493223 and Acc No 2079252816, are attached to a guarantee provided by the municipality to Eskom (Electricity Account Guarantee). These deposits are fixed for a period of 12 months from 1 June 2020 and 12 June 2020 respectively.

### RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2020

|                            | Gross Balance<br>R | Allowance for<br>impairment<br>R | Net Receivable<br>R |
|----------------------------|--------------------|----------------------------------|---------------------|
| <b>Service Receivables</b> | <b>52 035 317</b>  | <b>23 812 363</b>                | <b>28 222 954</b>   |
| Electricity                | 18 310 873         | 4 146 901                        | 14 163 972          |
| Water                      | 9 528 358          | 4 958 641                        | 4 569 717           |
| Refuse                     | 7 009 415          | 4 141 626                        | 2 867 790           |
| Sewerage                   | 4 717 433          | 2 774 335                        | 1 943 098           |
| Other Services             | 12 469 238         | 7 790 861                        | 4 678 378           |
| <b>Other Receivables</b>   | <b>7 750 723</b>   | <b>-</b>                         | <b>7 750 723</b>    |
| Asset Sales                | 5 921 867          | -                                | 5 921 867           |
| Accrued Interest           | 47 203             | -                                | 47 203              |
| Payments in Advance        | 1 392 053          | -                                | 1 392 053           |
| Other Arrears              | 389 599            | -                                | 389 599             |
| <b>Total</b>               | <b>59 786 040</b>  | <b>23 812 363</b>                | <b>35 973 677</b>   |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The following information is presented in accordance with the requirements of the Municipal Finance Management Act (MFMA) and the Accounting Standards for South Africa (AS) issued by the Accounting Standards Board (ASB).

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2019

|  | Gross Balance     | Allowance for<br>impairment | Net Receivable    |
|--|-------------------|-----------------------------|-------------------|
|  | R                 | R                           | R                 |
| <b>Service Receivables</b>                       | <b>41 605 833</b> | <b>17 527 531</b>           | <b>24 078 302</b> |
| Electricity                                      | 15 241 816        | 2 890 139                   | 12 351 677        |
| Water  | 7 838 615         | 4 089 898                   | 3 748 717         |
| Refuse   | 5 475 307         | 3 170 484                   | 2 304 823         |
| Sewerage   | 3 564 768         | 2 154 237                   | 1 410 531         |
| Other Services                                   | 9 485 327         | 5 222 773                   | 4 262 554         |
| <b>Other Receivables</b>                         | <b>1 341 412</b>  | <b>-</b>                    | <b>1 341 412</b>  |
| Asset Sales                                      | 15 126            | -                           | 15 126            |
| Accrued Interest                                 | 53 159            | -                           | 53 159            |
| Payments In Advance                              | 1 247 787         | -                           | 1 247 787         |
| Other Arrears                                    | 25 340            | -                           | 25 340            |
| <b>Total</b>                                     | <b>42 947 245</b> | <b>17 527 531</b>           | <b>25 419 714</b> |
| <b>Balance Previously Reported</b>               | <b>45 715 728</b> | <b>20 656 067</b>           | <b>25 059 661</b> |
| Prior Period Adjustment - Refer to<br>note 45.01 | (2 768 483)       | (3 128 536)                 | 360 053           |
| <b>Restated Balance on 30 June 2019</b>          | <b>42 947 245</b> | <b>17 527 531</b>           | <b>25 419 714</b> |

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

|                                       | 2020<br>R         | 2019<br>R         |
|---------------------------------------|-------------------|-------------------|
| <b>Ageing of service receivables:</b> |                   |                   |
| <b>Electricity Ageing</b>             |                   |                   |
| Current (0 - 30 days)                 | 11 113 505        | 10 495 921        |
| Past Due (31 - 60 Days)               | 2 036 595         | 1 594 770         |
| Past Due (61 - 90 Days)               | 978 629           | 466 620           |
| Past Due (90 Days +)                  | 4 182 144         | 2 684 505         |
| <b>Total</b>                          | <b>18 310 873</b> | <b>15 241 816</b> |
| <b>Water Ageing</b>                   |                   |                   |
| Current (0 - 30 days)                 | 2 946 083         | 2 735 349         |
| Past Due (31 - 60 Days)               | 958 122           | 811 088           |
| Past Due (61 - 90 Days)               | 496 875           | 457 997           |
| Past Due (90 Days +)                  | 5 127 277         | 3 834 181         |
| <b>Total</b>                          | <b>■ 528 358</b>  | <b>7 838 615</b>  |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes 1 to 12 are an integral part of the financial statements and should be read in conjunction with them.

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b> |                   |                   |
| <b>Refuse Ageing</b>  |                   |                   |
| Current (0 - 30 days)                                       | 1 571 884         | 1 453 252         |
| Past Due (31 - 60 Days)                                     | 668 537           | 553 405           |
| Past Due (61 - 90 Days)                                     | 419 918           | 337 089           |
| Past Due (90 Days +)  | 4 349 077         | 3 131 561         |
| <b>Total</b>  | <b>7 009 415</b>  | <b>5 475 307</b>  |
| <b>Sewerage Ageing</b>                                      |                   |                   |
| Current (0 - 30 days)                                       | 1 029 733         | 832 061           |
| Past Due (31 - 60 Days)                                     | 456 862           | 354 485           |
| Past Due (61 - 90 Days)                                     | 266 629           | 230 712           |
| Past Due (90 Days +)  | 2 964 209         | 2 147 510         |
| <b>Total</b>  | <b>4 717 433</b>  | <b>3 564 768</b>  |
| <b>Other Services Ageing</b>                                |                   |                   |
| Current (0 - 30 days)                                       | 2 414 610         | 2 394 644         |
| Past Due (31 - 60 Days)                                     | 1 327 606         | 944 974           |
| Past Due (61 - 90 Days)                                     | 472 325           | 693 203           |
| Past Due (90 Days +)  | 8 254 697         | 5 452 505         |
| <b>Total</b>  | <b>12 469 238</b> | <b>9 485 327</b>  |
| <b>Total Service Receivables Ageing</b>                     |                   |                   |
| Current (0 - 30 days)                                       | 19 075 815        | 17 911 227        |
| Past Due (31 - 60 Days)                                     | 5 447 722         | 4 258 723         |
| Past Due (61 - 90 Days)                                     | 2 634 375         | 2 185 620         |
| Past Due (90 Days +)  | 24 877 405        | 17 250 262        |
| <b>Total</b>  | <b>52 035 317</b> | <b>41 605 833</b> |

### Ageing per Customer Classification - 30 June 2020

|                               | Consumers<br>R    | Industrial/<br>Commercial<br>■ | National and<br>Provincial<br>Government<br>R |
|-------------------------------|-------------------|--------------------------------|---|
| Current (0 - 30 days)         | 12 419 435        | 6 313 671                      | 342 709                                       |
| Past Due (31 - 60 Days)       | 4 174 120         | 1 106 275                      | 167 327                                       |
| Past Due (61 - 90 Days)       | 1 845 032         | 656 784                        | 132 559                                       |
| Past Due (90 Days +)          | 20 674 541        | 3 356 505                      | 846 359                                       |
| <b>Sub-Total</b>              | <b>39 113 128</b> | <b>11 433 235</b>              | <b>1 488 954</b>                              |
| Less Allowance for Impairment | (20 479 686)      | (3 332 677)                    | -   |
| <b>Total</b>                  | <b>■ 633 442</b>  | <b>8 100 558</b>               | <b>1 488 954</b>                              |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

#### Ageing per Customer Classification - 30 June 2019

|                               | Consumers<br>R    | Industrial/<br>Commercial<br>R | National and<br>Provincial<br>Government<br>R |
|-------------------------------|-------------------|--------------------------------|---|
| Current (0 - 30 days)         | 11 756 260        | 5 898 689                      | 256 278                                       |
| Past Due (31 - 60 Days)       | 3 123 726         | 1 078 417                      | 56 580  |
| Past Due (61 - 90 Days)       | 1 670 914         | 474 321                        | 40 386  |
| Past Due (90 Days +)          | 15 908 971        | 953 584                        | 387 707                                       |
| <b>Sub-Total</b>              | <b>32 459 871</b> | <b>■ 405 010</b>               | <b>740 951</b>                                |
| Less Allowance for Impairment | (16 484 209)      | (1 043 322)                    | -   |
| <b>Total</b>                  | <b>15 975 662</b> | <b>7 361 689</b>               | <b>740 951</b>                                |

Included in Consumers are indigent balances amounting to R 340 012 (2019 - R 1 329 815). These balances were fully Impaired.

|   | 2020<br>R          | 2019<br>R          |
|---|--------------------|--------------------|
| <b>Reconciliation of Allowance for impairment</b> |                    |                    |
| Balance at the beginning of the year              | 17 527 531         | 14 897 963         |
| Contribution to the provision                     | 12 055 419         | 7 812 003          |
| Electricity                                       | 1 678 472          | 534 240            |
| Water   | 3 078 582          | 2 405 252          |
| Refuse  | 2 210 098          | 1 505 225          |
| Sewerage  | 1 616 783          | 1 045 569          |
| Other Services                                    | 3 471 484          | 2 321 717          |
| <b>Bad Debts Written off</b>                      | <b>(5 770 587)</b> | <b>(5 182 436)</b> |
| Electricity                                       | (421 710)          | (216 285)          |
| Water   | (2 209 839)        | (1 716 303)        |
| Refuse  | (1 238 957)        | (1 135 063)        |
| Sewerage  | (996 685)          | (911 405)          |
| Other Services                                    | (903 397)          | (1 203 380)        |
| <b>Balance at the end of the year</b>             | <b>23 812 363</b>  | <b>17 527 531</b>  |

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2020

|                     | Gross Balance<br>R | Allowance for<br>impairment<br>■ | Net Receivable<br>R |
|---------------------|--------------------|----------------------------------|---------------------|
| Service Receivables | 12 672 213         | 6 366 727                        | 6 305 486           |
| Rates               | 12 672 213         | 6 366 727                        | 6 305 486           |
| Other Receivables   | 14 522 268         | 12 447 238                       | 2 075 030           |
| Unpaid Fines        | 14 346 650         | 12 447 238                       | 1 899 412           |
| Sundry Deposits     | 175 618            | -                                | 175 618             |
| <b>Total</b>        | <b>27 194 481</b>  | <b>18 813 965</b>                | <b>■ 380 517</b>    |

30 JUNE 2019

|   | Gross Balance<br>R | Allowance for<br>Impairment<br>R | Net Receivable<br>■ |
|---|--------------------|----------------------------------|---------------------|
| Service Receivables                     | 12 330 581         | 7 093 626                        | 5 236 955           |
| Rates                                   | 12 330 581         | 7 093 626                        | 5 236 955           |
| Other Receivables                       | 20 559 218         | 16 672 756                       | 3 886 461           |
| Unpaid Fines                            | 20 383 600         | 16 672 756                       | 3 710 844           |
| Sundry Deposits                         | 175 618            | -                                | 175 618             |
| <b>Total</b>                            | <b>32 ■ 799</b>    | <b>23 766 382</b>                | <b>9 123 417</b>    |
| Balance Previously Reported             | 32 889 799         | 24 868 931                       | 8 020 868           |
| Prior Period Adjustment - Refer to note | -                  | (1 102 549)                      | 1 102 549           |
| <b>Restated Balance on 30 June 2019</b> | <b>32 ■ 799</b>    | <b>23 766 382</b>                | <b>9 123 417</b>    |

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

#### Ageing of service receivables:

##### Rates Ageing

|                         | 2020<br>■         | 2019<br>■         |
|-------------------------|-------------------|-------------------|
| Current (0 - 30 days)   | 3 573 827         | 3 053 365         |
| Past Due (31 - 60 Days) | 1 213 491         | 695 909           |
| Past Due (61 - 90 Days) | 595 193           | 325 618           |
| Past Due (90 Days +)    | 7 289 703         | 8 255 689         |
| <b>Total</b>            | <b>12 672 213</b> | <b>12 330 581</b> |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

#### Ageing per Customer Classification - 30 June 2020

|                               | Consumers<br>R    | Industrial/<br>Commercial<br>R | National and<br>Provincial<br>Government<br>R |
|-------------------------------|-------------------|--------------------------------|---|
| Current (0 - 30 days)         | 3 171 088         | 264 790                        | 137 949                                       |
| Past Due (31 - 60 Days)       | 1 042 114         | 72 849                         | 98 528  |
| Past Due (61 - 90 Days)       | 467 913           | 42 045                         | 85 234  |
| Past Due (90 Days +)          | 5 557 959         | 680 913                        | 1 050 831                                     |
| <b>Sub-Total</b>              | <b>10 239 075</b> | <b>1 060 597</b>               | <b>1 372 542</b>                              |
| Less Allowance for Impairment | (5 697 043)       | (669 684)                      | -   |
| <b>Total</b>                  | <b>4 542 032</b>  | <b>390 913</b>                 | <b>1 372 542</b>                              |

#### Ageing per Customer Classification - 30 June 2019

|                               | Consumers<br>R    | Industrial/<br>Commercial<br>R | National and<br>Provincial<br>Government<br>R |
|-------------------------------|-------------------|--------------------------------|---|
| Current (0 - 30 days)         | 2 830 889         | 221 859                        | 618   |
| Past Due (31 - 60 Days)       | 639 040           | 56 869                         | -   |
| Past Due (61 - 90 Days)       | 284 759           | 40 859                         | -   |
| Past Due (90 Days +)          | 6 350 048         | 799 417                        | 1 106 224                                     |
| <b>Sub-Total</b>              | <b>10 104 735</b> | <b>1 119 004</b>               | <b>1 106 842</b>                              |
| Less Allowance for Impairment | (6 313 322)       | (780 304)                      | -   |
| <b>Total</b>                  | <b>3 791 413</b>  | <b>338 700</b>                 | <b>1 106 842</b>                              |

Included in Consumers are indigent balances amounting to R 152 775 (2019 - R 53 924). These balances were fully impaired.

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>Reconciliation of Allowance for impairment</b> |                   |                   |
| Balance at the beginning of the year              | 23 766 382        | 17 641 572        |
| Contribution to the provision                     | 7 887 996         | 14 560 690        |
| Rates   | 9 164             | 1 899 635         |
| Fines   | 7 878 831         | 12 661 055        |
| Bad Debts Written off                             | (12 840 413)      | (8 435 881)       |
| Rates   | (736 063)         | (495 081)         |
| Fines   | (12 104 350)      | (7 940 800)       |
| <b>Balance at the end of the year</b>             | <b>18 813 965</b> | <b>23 766 382</b> |



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are presented in accordance with the Accounting Standards for South Africa, which are based on International Financial Reporting Standards as issued by the International Accounting Standards Board.

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 5 OPERATING LEASES

#### 5.1 OPERATING LEASE ASSETS

|                       |         |         |
|-----------------------|---------|---------|
| Operating Lease Asset | 328 033 | 321 642 |
|-----------------------|---------|---------|

The operating lease asset is derived from contracts where the municipality acts as the lessor in the agreement.

Reconciliation of Operating Lease Asset:

|                                      |         |         |
|--------------------------------------|---------|---------|
| Balance at the beginning of the year | 321 642 | 296 099 |
| Movement during the year             | 6 391   | 25 543  |
| Balance at the end of the year       | 328 033 | 321 642 |

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

|                       |           |           |
|-----------------------|-----------|-----------|
| Within 1 Year         | 804 568   | 859 561   |
| Between 1 and 5 Years | 2 394 469 | 2 686 230 |
| After 5 Years         | 835 366   | 1 348 172 |
|                       | 4 034 402 | 4 893 964 |

The prior year figure relating to lease payments were adjusted to include contract incorrectly excluded from disclosure

The lease payments are in respect of properties being lease out over a period ranging up to 2032 (2019 - 2032).

#### 5.2 OPERATING LEASE LIABILITIES

|                           |        |        |
|---------------------------|--------|--------|
| Operating Lease Liability | 31 501 | 29 000 |
|---------------------------|--------|--------|

The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are presented in the following format:

|  | 2020<br>R     | 2019<br>R     |
|--|---------------|---------------|
| <b>5 OPERATING LEASES (CONTINUED)</b>        |               |               |
| Reconciliation of Operating Lease Liability: |               |               |
| Balance at the beginning of the year         | 29 000        | 14 325        |
| Movement during the year                     | 2 502         | 14 675        |
| Balance at the end of the year               | <b>31 501</b> | <b>29 000</b> |

The municipality will incur the following lease expenditure from contracts that have defined lease payments and terms.

|                       |                |                |
|-----------------------|----------------|----------------|
| Within 1 Year         | 346 923        | 415 665        |
| Between 1 and 5 Years | 444 028        | 215 344        |
|                       | <b>790 952</b> | <b>631 009</b> |

The operating lease liability relates to the following lease arrangements:

The lease balance relates to the "Old Nedbank Gebou" and "Tourism Building". The lease terms will end on 31 December 2020 and 30 June 2024 respectively. The lease agreement relating to the "Tourism Building" commenced in the 2019/20 financial year on 1 July 2019.

## 6 LONG-TERM RECEIVABLES

|  |                  |                  |
|--|------------------|------------------|
| Receivables with Repayment Arrangements        | 3 436 621        | 2 768 483        |
| Balance Previously Reported                    |                  | -                |
| Prior Period Adjustment - Refer to note 45.03  |                  | 2 768 483        |
| Individual Housing Loans                       | 163 135          | 192 136          |
| <b>Total Gross Balance</b>                     | <b>3 599 756</b> | <b>2 960 619</b> |
| Less: Allowance for Debt Impairment            | (3 436 621)      | (2 768 483)      |
| Balance Previously Reported                    |                  | -                |
| Prior Period Adjustment - Refer to note 45.03  |                  | (2 768 483)      |
| <b>Total Net Balance</b>                       | <b>163 135</b>   | <b>192 136</b>   |
| Less: Current portion of Long-term Receivables | (2 566)          | (7 681)          |
| Individual Housing Loans                       | (2 566)          | (7 681)          |
| <b>Total</b>                                   | <b>160 569</b>   | <b>184 455</b>   |

### Individual Housing Loans

The loans was granted to facilitate housing schemes in the municipal area.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are audited by the Auditor-General of South Africa (AGSA) and are subject to the AGSA's audit report.

### 7 LONG-TERM RECEIVABLES

#### Receivables with repayment arrangements

On 30 June 2020, debtors amounting to R 3 436 621 (2019 - R 2 768 483) have made arrangements to settle their accounts over an re-negotiated period. Total payments to the value of R 2 265 063 (2019 - R 1 408 380) have been deferred beyond 12 months after year end and subsequently included as part of long-term receivables. Total payments to the value of R 1 171 557 (2019 - R 1 360 103) are due within the next 12 month. As these amount are fully impaired, there are no balance to be transferred to current receivables.

|   | 2020<br>R        | 2019<br>R        |
|---|------------------|------------------|
| <b>Reconciliation of Allowance for impairment</b> |                  |                  |
| Balance at the beginning of the year              | 2 768 483        | 1 349 702        |
| Contribution to the provision                     | 668 138          | 1 418 781        |
| <b>Balance at the end of the year</b>             | <b>■ 436 621</b> | <b>2 768 483</b> |

The allowance for impairment only relates to Receivables with repayment arrangements. Receivables with repayment arrangements are impaired in full. Management has taken a conservative approach to impair the debtors in full due to historic poor collection rates of the said receivables.

### 7 INVENTORY

|              |                  |                  |
|--------------|------------------|------------------|
| Consumables  | 1 881 084        | 1 619 908        |
| Water        | 55 352           | 42 126           |
| <b>Total</b> | <b>1 936 436</b> | <b>1 662 034</b> |

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

No Inventory losses or surpluses were identified during the annual stores counts.

|   |           |           |
|---|-----------|-----------|
| Inventory recognised as an expense during the year. | 2 745 867 | 2 553 058 |
|---|-----------|-----------|

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 8 INVESTMENT PROPERTY

Investment Property - Carrying Value

**40 329 389**

**40 199 780**

The movement in investment properties is reconciled as follows:

#### Opening Carrying Value

**40 199 780**

**40 244 199**

Cost

40 344 944

40 380 833

Accumulated Depreciation

(145 164)

(136 634)

Additions

313 064

-

Depreciation for the year

(8 530)

(8 530)

Disposals

(174 925)

(35 889)

#### Closing Carrying Value

**40 329 389**

**40 199 780**

Cost

40 170 018

40 344 944

Accumulated Depreciation

(153 694)

(145 164)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 9 PROPERTY PLANT AND EQUIPMENT

| 30 June 2020                    | Cost               |                   |                    |                    | Accumulated Depreciation |                   |                  |                    | Accumulated Impairment |              |             |                   | Carrying Value R   |
|---------------------------------|--------------------|-------------------|--------------------|--------------------|--------------------------|-------------------|------------------|--------------------|------------------------|--------------|-------------|-------------------|--------------------|
|                                 | Opening Balance R  | Additions R       | Disposals R        | Closing Balance R  | Opening Balance R        | Additions R       | Disposals R      | Closing Balance R  | Opening Balance R      | Additions R  | Disposals R | Closing Balance R |                    |
| Land and Buildings              | 85 528 003         | 3 413 410         | (20 000)           | 88 921 413         | 11 247 137               | 353 320           | -                | 11 600 457         | -                      | -            | -           | -                 | 77 320 955         |
| Land                            | 55 667 558         | -                 | (20 000)           | 55 647 558         | -                        | -                 | -                | -                  | -                      | -            | -           | -                 | 55 647 558         |
| Buildings                       | 29 860 445         | 3 413 410         | -                  | 33 273 855         | 11 247 137               | 353 320           | -                | 11 600 457         | -                      | -            | -           | -                 | 21 673 398         |
| Capitalised Restoration Cost    | 30 247 969         | 442 530           | (2 463 676)        | 28 226 822         | 20 443 899               | 887 854           | -                | 21 331 753         | 3 111 879              | 4 387        | -           | 3 116 266         | 3 778 803          |
| Infrastructure                  | 345 199 481        | 27 347 382        | (109 071)          | 372 437 793        | 75 557 845               | 9 236 633         | (31 502)         | 84 762 976         | -                      | -            | -           | -                 | 287 674 817        |
| Roads and Storm water           | 146 735 730        | 7 759 000         | -                  | 154 494 730        | 22 189 301               | 3 755 833         | -                | 25 945 134         | -                      | -            | -           | -                 | 128 549 596        |
| Electricity Network             | 70 758 391         | 10 380 762        | (89 571)           | 81 049 583         | 16 584 874               | 2 105 989         | (31 502)         | 18 659 362         | -                      | -            | -           | -                 | 62 390 221         |
| Sewerage Network                | 65 172 265         | 5 485 946         | -                  | 70 658 211         | 14 864 425               | 1 915 814         | -                | 16 780 239         | -                      | -            | -           | -                 | 53 877 972         |
| Water Network                   | 60 433 437         | 3 171 442         | (19 500)           | 63 585 379         | 20 290 186               | 1 403 866         | -                | 21 694 051         | -                      | -            | -           | -                 | 41 891 328         |
| Refuse Removal                  | 2 098 659          | 550 232           | -                  | 2 648 891          | 1 629 058                | 55 132            | -                | 1 684 190          | -                      | -            | -           | -                 | 965 701            |
| Community Assets                | 32 472 651         | 4 120 508         | -                  | 36 593 159         | 3 701 528                | 692 253           | -                | 4 393 781          | -                      | -            | -           | -                 | 32 209 378         |
| Cemeteries                      | 320 729            | -                 | -                  | 320 729            | 8 379                    | 4 164             | -                | 12 543             | -                      | -            | -           | -                 | 308 186            |
| Clinics                         | 201 995            | -                 | -                  | 201 995            | 35 772                   | 1 920             | -                | 37 692             | -                      | -            | -           | -                 | 164 302            |
| Community Halls                 | 13 742 671         | 42 071            | -                  | 13 784 743         | 767 337                  | 149 110           | -                | 916 446            | -                      | -            | -           | -                 | 12 868 296         |
| Libraries                       | 4 878 443          | -                 | -                  | 4 878 443          | 1 661 352                | 69 570            | -                | 1 730 922          | -                      | -            | -           | -                 | 3 147 521          |
| Parks ■ Gardens                 | 4 857 743          | 257 175           | -                  | 5 114 918          | 412 920                  | 182 054           | -                | 594 974            | -                      | -            | -           | -                 | 4 519 944          |
| Recreation Grounds              | 1 766 423          | -                 | -                  | 1 766 423          | 341 826                  | 24 678            | -                | 366 504            | -                      | -            | -           | -                 | 1 399 919          |
| Sports facilities               | 5 731 938          | 879 989           | -                  | 6 611 927          | 473 942                  | 213 786           | -                | 687 728            | -                      | -            | -           | -                 | 5 924 199          |
| Markets                         | 972 709            | 2 941 272         | -                  | 3 913 982          | -                        | 36 972            | -                | 36 972             | -                      | -            | -           | -                 | 3 877 010          |
| Lease Assets                    | 1 177 811          | -                 | -                  | 1 177 811          | 810 272                  | 161 406           | -                | 971 678            | -                      | -            | -           | -                 | 206 133            |
| Leased Assets - Office Machines | 1 177 811          | -                 | -                  | 1 177 811          | 810 272                  | 161 406           | -                | 971 678            | -                      | -            | -           | -                 | 206 133            |
| Other Assets                    | 43 750 147         | 6 526 308         | (406 853)          | 49 869 602         | 18 357 206               | 3 155 027         | (270 982)        | 21 241 251         | -                      | -            | -           | -                 | 28 628 351         |
| Computer Hardware               | 6 935 386          | 1 502 029         | (195 256)          | 8 242 158          | 2 727 254                | 803 174           | (122 301)        | 3 408 127          | -                      | -            | -           | -                 | 4 834 031          |
| Furniture and Office Equipment  | 7 900 198          | 1 079 946         | (98 951)           | 8 881 193          | 3 223 448                | 651 170           | (68 302)         | 3 806 316          | -                      | -            | -           | -                 | 5 074 876          |
| Vehicles                        | 13 272 116         | 2 419 069         | -                  | 15 691 186         | 7 384 549                | 732 454           | -                | 8 117 003          | -                      | -            | -           | -                 | 7 574 182          |
| Special Vehicles                | 5 156 347          | 176 000           | -                  | 5 332 347          | 1 128 187                | 195 692           | -                | 1 323 879          | -                      | -            | -           | -                 | 4 008 468          |
| Tools and Equipment             | 8 133 399          | 1 273 264         | (84 535)           | 9 322 129          | 2 414 459                | 662 431           | (63 373)         | 3 013 517          | -                      | -            | -           | -                 | 6 308 612          |
| Other                           | 2 352 700          | 76 000            | (28 111)           | 2 400 590          | 1 479 309                | 110 106           | (17 007)         | 1 572 408          | -                      | -            | -           | -                 | 828 181            |
| <b>Total</b>                    | <b>538 376 062</b> | <b>41 850 138</b> | <b>(2 999 600)</b> | <b>577 226 600</b> | <b>130 117 887</b>       | <b>14 476 494</b> | <b>(302 484)</b> | <b>144 291 897</b> | <b>3 111 879</b>       | <b>4 387</b> | <b>-</b>    | <b>3 116 266</b>  | <b>429 818 439</b> |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### ■ PROPERTY PLANT AND EQUIPMENT (CONTINUED)

| 30 JUNE 2019                    | Cost                 |                |                |                      | Accumulated Depreciation |                |                |                      | Accumulated Impairment |                |                |                      | Carrying Value |
|---------------------------------|----------------------|----------------|----------------|----------------------|--------------------------|----------------|----------------|----------------------|------------------------|----------------|----------------|----------------------|----------------|
|                                 | Opening Balance<br>R | Additions<br>R | Disposals<br>R | Closing Balance<br>R | Opening Balance<br>R     | Additions<br>R | Disposals<br>R | Closing Balance<br>R | Opening Balance<br>R   | Additions<br>R | Disposals<br>R | Closing Balance<br>R |                |
| Land and Buildings              | 84 740 909           | 787 094        | -              | 85 528 003           | 10 932 648               | 314 488        | -              | 11 247 137           | -                      | -              | -              | -                    | 74 280 866     |
| Land                            | 55 667 558           | -              | -              | 55 667 558           | -                        | -              | -              | -                    | -                      | -              | -              | -                    | 55 667 558     |
| Buildings                       | 29 073 351           | 787 094        | -              | 29 860 445           | 10 932 648               | 314 488        | -              | 11 247 137           | -                      | -              | -              | -                    | 18 613 308     |
| Capitalised Restoration Cost    | 28 734 542           | 1 513 426      | -              | 30 247 969           | 19 500 581               | 943 318        | -              | 20 443 899           | 3 111 879              | -              | -              | 3 111 879            | 6 692 190      |
| Infrastructure                  | 318 597 693          | 26 610 209     | (8 420)        | 345 199 481          | 67 108 889               | 8 453 464      | (4 509)        | 75 557 845           | -                      | -              | -              | -                    | 269 641 637    |
| Roads and Storm water           | 131 502 025          | 15 233 705     | -              | 146 735 730          | 18 626 815               | 3 562 487      | -              | 22 189 301           | -                      | -              | -              | -                    | 124 546 428    |
| Electricity Network             | 61 723 966           | 9 040 647      | (6 221)        | 70 758 391           | 15 026 447               | 1 560 756      | (2 328)        | 16 584 874           | -                      | -              | -              | -                    | 54 173 517     |
| Sewerage Network                | 64 275 998           | 895 267        | -              | 65 172 265           | 12 955 688               | 1 908 737      | -              | 14 864 425           | -                      | -              | -              | -                    | 50 307 839     |
| Water Network                   | 58 996 046           | 1 439 591      | (2 200)        | 60 433 437           | 18 933 430               | 1 358 936      | (2 180)        | 20 290 186           | -                      | -              | -              | -                    | 40 143 251     |
| Refuse Removal                  | 2 099 659            | -              | -              | 2 099 659            | 1 566 510                | 62 549         | -              | 1 629 058            | -                      | -              | -              | -                    | 470 600        |
| Community Assets                | 28 653 349           | 3 819 302      | -              | 32 472 651           | 3 201 907                | 499 621        | -              | 3 701 528            | -                      | -              | -              | -                    | 28 771 123     |
| Cemeteries                      | 320 729              | -              | -              | 320 729              | 4 215                    | 4 164          | -              | 8 379                | -                      | -              | -              | -                    | 312 351        |
| Clinics                         | 201 ■■■              | -              | -              | 201 995              | 33 852                   | 1 920          | -              | 35 772               | -                      | -              | -              | -                    | 166 222        |
| Community Halls                 | 13 191 ■■■           | 551 062        | -              | 13 742 671           | 619 726                  | 147 611        | -              | 767 337              | -                      | -              | -              | -                    | 12 975 334     |
| Libraries                       | 4 807 443            | 71 000         | -              | 4 878 443            | 1 595 543                | 65 ■■■         | -              | 1 661 352            | -                      | -              | -              | -                    | 3 217 091      |
| Parks & Gardens                 | 3 959 226            | 898 518        | -              | 4 857 743            | ■ 835                    | 127 085        | -              | 412 920              | -                      | -              | -              | -                    | 4 444 824      |
| Recreation Grounds              | 1 766 423            | -              | -              | 1 766 423            | 317 148                  | 24 678         | -              | 341 826              | -                      | -              | -              | -                    | 1 424 597      |
| Sports facilities               | 4 265 525            | 1 466 413      | -              | 5 731 938            | 345 588                  | 128 354        | -              | 473 942              | -                      | -              | -              | -                    | 5 257 996      |
| Markets                         | 140 400              | 832 309        | -              | 972 709              | -                        | -              | -              | -                    | -                      | -              | -              | -                    | 972 709        |
| Lease Assets                    | 1 177 811            | -              | -              | 1 177 811            | 635 213                  | 175 059        | -              | 810 272              | -                      | -              | -              | -                    | 367 539        |
| Leased Assets - Office Machines | 1 177 811            | -              | -              | 1 177 811            | 635 213                  | 175 059        | -              | 810 272              | -                      | -              | -              | -                    | 367 ■■■        |
| Other Assets                    | 38 578 333           | 5 634 921      | (457 507)      | 43 750 147           | 15 994 287               | 2 655 629      | (292 709)      | 18 357 206           | -                      | -              | -              | -                    | 25 392 941     |
| Computer Hardware               | 5 487 098            | 1 566 657      | (118 369)      | 6 935 386            | 2 215 139                | 589 645        | (77 531)       | 2 727 254            | -                      | -              | -              | -                    | ■ 208 132      |
| Furniture and Office Equipment  | 7 558 439            | 459 904        | (118 145)      | 7 900 198            | 2 729 616                | 573 074        | (79 242)       | 3 223 448            | -                      | -              | -              | -                    | 4 676 749      |
| Vehicles                        | 13 424 820           | -              | (152 703)      | 13 272 116           | 6 684 623                | 785 562        | (85 635)       | 7 384 549            | -                      | -              | -              | -                    | 5 887 567      |
| Special Vehicles                | 5 056 422            | 89 925         | -              | 5 156 347            | 936 692                  | 191 495        | -              | 1 128 187            | -                      | -              | -              | -                    | 4 028 160      |
| Tools and Equipment             | 4 669 165            | 3 507 835      | (43 602)       | 8 133 399            | 2 042 306                | 400 184        | (28 031)       | 2 414 459            | -                      | -              | -              | -                    | 5 718 941      |
| Other                           | 2 377 389            | -              | (24 689)       | 2 352 700            | 1 385 910                | 115 669        | (22 271)       | 1 479 309            | -                      | -              | -              | -                    | 873 392        |
| Total                           | 500 477 638          | 38 364 352     | (465 928)      | 538 376 062          | 117 373 525              | 13 041 580     | (297 218)      | 130 117 887          | 3 111 879              | -              | -              | 3 111 879            | 405 146 297    |
| Balance Previously Reported     | 450 791 818          | 38 657 910     | (465 928)      | 488 983 800          | 99 037 590               | 11 577 169     | (297 218)      | 110 317 541          | 3 378 797              | -              | -              | 3 378 797            | 375 287 463    |
| Restated - Refer to note 45.04  | 49 685 820           | (293 557)      | -              | 49 392 263           | 18 335 935               | 1 464 411      | -              | 19 800 345           | (266 917)              | -              | -              | (266 917)            | 29 858 834     |
| Restated ■■ 30 June 2019        | 500 477 638          | 38 364 352     | (465 928)      | 538 376 062          | 117 373 525              | 13 041 580     | (297 218)      | 130 117 887          | 3 111 879              | -              | -              | 3 111 879            | 405 146 297    |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 were audited by the Auditor-General of South Africa (AGSA) and the Auditor-General of the Western Cape (AGWC) and found to be in accordance with the applicable financial reporting framework.

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)</b>   |                   |                   |
| The following work in progress balances are included in PPE.<br>No Depreciation charge is recognised against these amounts. |                   |                   |
| Infrastructure - Roads and Storm water  | 2 080 590         | 5 707 766         |
| Infrastructure - Electricity Network  | 12 206 297        | 5 663 140         |
| Infrastructure - Sewerage Network   | 6 252 213         | 766 267           |
| Infrastructure - Water Network  | -                 | 519 367           |
| Community Assets - Markets  | 1 157 893         | 972 709           |
| <b>Total Work in Progress (WIP)</b>   | <b>21 696 992</b> | <b>13 629 249</b> |

The prior year work in progress figure were restated by R 338 775 (Roads and Stormwater) due to assets previously not transferred to completed on 30 June 2017.

The increase in the Work in Progress balance compared to the prior year can mainly be attributed to delays experienced during the COVID 19 lockdown period which was implemented on 26 March 2020. During the lockdown period, which continued up to and beyond 30 June 2020, the municipality did not operate at full capacity at all times in order to complete projects as initially planned. No delays are considered to be "significant" that warrants any further disclosure of individual projects as required by GRAP 17 paragraph 87 (b).

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Cape Agulhas Municipality.

Refer to note 19 for more detail relating to this asset financed by way of a provision

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020

|                                    | 2020<br>R        | 2019<br>■        |
|------------------------------------|------------------|------------------|
| <b>10 INTANGIBLE ASSETS</b>        |                  |                  |
| Intangible Assets - Carrying Value | <u>4 861 004</u> | <u>4 705 373</u> |

The movement in intangible assets is reconciled as follows:

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| <b>Opening Carrying Value</b>    | <b>4 705 373</b> | <b>4 865 323</b> |
| Cost                             | 6 488 339        | 6 093 551        |
| Accumulated Amortisation         | (1 782 966)      | (1 228 228)      |
| <b>Additions</b>                 | <b>882 934</b>   | <b>394 788</b>   |
| <b>Disposals</b>                 | <b>(9 397)</b>   | <b>-</b>         |
| Cost                             | (603 162)        | -                |
| Accumulated Amortisation         | 593 764          | -                |
| <b>Amortisation for the year</b> | <b>(717 906)</b> | <b>(554 738)</b> |
| <b>Closing Carrying Value</b>    | <b>4 861 004</b> | <b>4 705 373</b> |
| Cost                             | 6 768 112        | 6 488 339        |
| Accumulated Amortisation         | (1 907 107)      | (1 782 966)      |
| <b>Work In Progress</b>          | <b>-</b>         | <b>394 788</b>   |

Work In Progress is included in carrying value of intangible assets. No Amortisation charge is recognised against these amounts.

The work in progress balance on 30 June 2019 relates to the SCM Advance Procurement Module and Client Service application still in process of being implemented on reporting date.

Intangible Assets consist only out of software

No intangible asset were assessed having ■ indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

|  | 2020<br>■         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>11 LONG-TERM LIABILITIES</b>                |                   |                   |
| Annuity Loans                                  | 26 790 115        | 32 752 801        |
| <b>Sub-Total</b>                               | <b>26 790 115</b> | <b>32 752 801</b> |
| Less: Current portion of Long-term Liabilities | 6 027 216         | 5 962 686         |
| Annuity Loans                                  | 6 027 216         | 5 962 686         |
| <b>Total</b>                                   | <b>20 762 899</b> | <b>26 790 115</b> |

Long Term Liabilities were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

The municipality opted to finance assets from external funding during the current and previous financial year. Detail are as follows:

|  |                   |                   |
|--|-------------------|-------------------|
| Opening Balance - Unspent Loans        | 20 893 080        | 10 516 380        |
| Assets purchased                       | (7 709 276)       | (6 623 301)       |
| Annuity Loans Raised                   | -                 | 17 000 000        |
| <b>Closing Balance - Unspent Loans</b> | <b>13 183 804</b> | <b>20 893 080</b> |

The unspent loans relates to Annuity Loans raised at Nedbank during June 2019. The remainder of the unspent funding will be utilised on capital projects included in the approved budget of the municipality after year-end.

### Annuity Loans

|  |           |           |
|--|-----------|-----------|
| Amalgamated Banks of South Africa (ABSA) | 3 123 449 | 3 719 468 |
|--|-----------|-----------|

Interest is calculated between 9.84% and 10.60% (2019 - 9.84% and 10.60%) interest rate. Loan period ranges from 5 to 10 year and loans will be redeemed between 30 June 2021 and 30 June 2027 . Annuity loans consist out of 6 (2019 - 6) loan agreements

|         |            |            |
|---------|------------|------------|
| Nedbank | 23 666 667 | 29 033 333 |
|---------|------------|------------|

Interest is calculated between 9.20% and 10.35% (2019 - 9.20% and 10.35%) interest rate. Loan period ranges from 3 to 10 year and loans will be redeemed between 30 June 2021 and 30 June 2029 . Annuity loans consist out of 6 (2019 - 6) loan agreements.

|                   |                   |
|-------------------|-------------------|
| <b>26 790 115</b> | <b>32 752 801</b> |
|-------------------|-------------------|

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The following notes are an integral part of the financial statements for the year ending 30 June 2020.

|   | 2020<br>R          | 2019<br>R           |
|---|--------------------|---------------------|
| <b>11 LONG-TERM LIABILITIES (CONTINUED)</b>                         |                    |                     |
| Further detail relating to Annuity Loans is included in Appendix A. |                    |                     |
| Annuity loans are payable as follows:                               |                    |                     |
| Payable within one year   | 8 525 487          | 9 058 813           |
| Payable within two to five years                                    | 19 376 510         | 24 875 210          |
| Payable after five years  | 8 345 535          | 11 372 322          |
| <b>Total amount payable</b>   | <b>36 247 532</b>  | <b>45 306 344</b>   |
| <b>Less: Outstanding Future Finance Charges</b>                     | <b>(9 457 416)</b> | <b>(12 553 543)</b> |
| <b>Present value of annuity loans</b>                               | <b>26 790 115</b>  | <b>32 752 801</b>   |

### Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

| Nr | Institution | Interest Rate | Redemption Date |
|----|-------------|---------------|-----------------|
| 1  | Nashua      | Redeemed      | 2017/02/28      |
| 2  | Nashua      | Redeemed      | 2018/05/31      |

Assets and liabilities associated with finance lease contracts:

| Nr | Carrying Value of Asset |                | Carrying Value of Liability |           |
|----|-------------------------|----------------|-----------------------------|-----------|
|    | 2020<br>R               | 2019<br>R      | 2020<br>R                   | 2019<br>R |
| 1  | 61 488                  | 78 249         | -                           | -         |
| 2  | 144 645                 | 289 290        | -                           | -         |
|    | <b>206 133</b>          | <b>367 539</b> | <b>-</b>                    | <b>-</b>  |

Although the lease term of both finance lease agreements have reached its end, the assets associated with these agreements are still being leased by the municipality on a month to month basis. The municipality controls the benefit associated with the assets until the month-to-month contract is cancelled and the equipment is returned to the supplier, at which point the carrying value of the asset will be derecognised.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes 1 to 13 are an integral part of the financial statements.

|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>12 CONSUMER DEPOSITS</b>                               |                  |                  |
| Electricity   | 3 009 076        | 2 848 486        |
| Water   | 2 018 452        | 1 847 993        |
| <b>Total</b>  | <b>5 027 528</b> | <b>4 696 479</b> |
| Guarantees held in lieu of Electricity and Water Deposits | <b>172 000</b>   | <b>172 000</b>   |

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

### 13 PAYABLES FROM EXCHANGE TRANSACTIONS

|   |                   |                   |
|---|-------------------|-------------------|
| Trade Payables                                | 29 103 078        | 25 589 597        |
| Balance Previously Reported                   |                   | 25 572 625        |
| Prior Period Adjustment - Refer to note 45.05 |                   | 16 972            |
| Retentions                                    | 1 770 009         | 1 763 424         |
| Pre-Paid Electricity                          | 453 610           | 361 346           |
| Debtors with credit balances                  | 2 141 173         | 1 944 626         |
| Department of Housing                         | 468 883           | 1 524 588         |
| Sundry Creditors                              | 954 263           | 630 562           |
| Sundry Deposits                               | 689 469           | 779 157           |
| <b>Total</b>                                  | <b>35 580 486</b> | <b>32 593 299</b> |

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposits.

#### Department of Housing

The municipality performs certain activities on behalf of the department of housing in order to execute their housing mandate. These activities, which mainly relates to the channelling of funds from the department to the housing contractors through the municipality's bank account, are performed on an agency-principle basis.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are presented in the following tables:

|  | 2020<br>R      | 2019<br>R        |
|--|----------------|------------------|
| <b>13 PAYABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>                                    |                |                  |
| The following funds were channelled through the municipality during the period under review: |                |                  |
| Opening Balance  | 1 524 588      | 186 464          |
| Funds Received   | 54 249 168     | 35 425 559       |
| Expenditure Incurred   | (55 304 873)   | (34 087 434)     |
| <b>Unspent Balance</b>   | <b>468 883</b> | <b>1 524 588</b> |

### 14 UNSPENT CONDITIONAL GOVERNMENT GRANTS

|                       |                |                  |
|-----------------------|----------------|------------------|
| National Government   | 5 526          | 208 872          |
| Provincial Government | 286 449        | 861 844          |
| <b>Total</b>          | <b>291 975</b> | <b>1 070 716</b> |

Detail reconciliations of all grants received and grant conditions met are included in note 22. Unspent grant balances are recognised to the extent that conditions are not yet met.

Also refer to Appendix D for further detail relating to grants.

No grants were withheld in the current year.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

### 15 UNSPENT PUBLIC CONTRIBUTIONS

|                  |                |               |
|------------------|----------------|---------------|
| Mayoral Golf Day | 106 567        | 78 086        |
| <b>Total</b>     | <b>106 567</b> | <b>78 086</b> |

Detail reconciliations of all public contributions received are included in note 23. Unspent public contribution balances are recognised to the extent that conditions of the contribution are not yet met.

Due to the short term nature of unspent public contributions, the carrying value approximates the fair value of the unspent public contribution at year-end.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1. The following notes are an integral part of the financial statements and should be read in conjunction with them.

|  | 2020<br>■         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>16 TAXES</b>  |                   |                   |
| VAT Output in Suspense   | 3 349 338         | 2 182 990         |
| VAT Input in Suspense  | (3 005 171)       | (2 170 473)       |
| VAT Payable to/(Refundable from) SARS  | (215 111)         | 1 359 289         |
| <b>Total</b>   | <b>129 056</b>    | <b>1 371 806</b>  |
| <b>Balance Previously Reported</b>   |                   | <b>1 625 683</b>  |
| Prior Period Adjustment - Refer to note 45.06  |                   | (253 877)         |
| <b>Restated Balance on 30 June 2019</b>  |                   | <b>1 371 806</b>  |
| VAT is accounted for on the payment basis.   |                   |                   |
| No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies                                 |                   |                   |
| <b>17 CURRENT EMPLOYEE BENEFITS</b>  |                   |                   |
| Post Retirement Medical Benefits   | 1 397 000         | 1 359 968         |
| Long Service Awards  | 1 105 000         | 866 935           |
| Performance Bonuses  | 443 609           | 309 606           |
| Bonuses  | 3 731 940         | 3 459 845         |
| Staff Leave  | 8 572 302         | 6 546 192         |
| <b>Total</b>   | <b>15 249 851</b> | <b>12 542 546</b> |
| The movement in current employee benefits are reconciled as follows:   |                   |                   |
| <b><u>Performance Bonuses</u></b>  |                   |                   |
| Opening Balance  | 309 606           | 312 148           |
| Contribution/(Reduction) during the year   | 486 308           | 223 199           |
| Payments made  | (352 305)         | (225 742)         |
| <b>Closing Balance</b>   | <b>443 609</b>    | <b>309 606</b>    |
| Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement. |                   |                   |
| <b><u>Bonuses</u></b>  |                   |                   |
| Opening Balance  | 3 459 845         | 3 269 814         |
| Contribution during the year   | 6 820 472         | 6 307 389         |
| Payments made  | (6 548 377)       | (6 117 357)       |
| <b>Closing Balance</b>   | <b>■ 731 940</b>  | <b>3 459 845</b>  |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020

|  | 2020<br>R        | 2019<br>R        |
|--|------------------|------------------|
| <b>17 CURRENT EMPLOYEE BENEFITS (CONTINUED)</b>  |                  |                  |
| Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement. |                  |                  |
| <b>Staff Leave</b>   |                  |                  |
| Opening Balance  | 6 546 192        | 5 918 199        |
| Contribution during the year   | 2 795 306        | 1 300 470        |
| Payments made  | (769 196)        | (672 476)        |
| <b>Closing Balance</b>   | <b>■ 572 302</b> | <b>6 546 192</b> |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.

|  |                   |                   |
|--|-------------------|-------------------|
| <b>18 EMPLOYEE BENEFITS</b>                |                   |                   |
| Post Retirement Medical Benefits           | 34 848 000        | 38 834 689        |
| Long Service Awards                        | 8 643 000         | 8 023 915         |
| <b>Sub-Total</b>                           | <b>43 491 000</b> | <b>46 858 604</b> |
| Less: Current portion of Employee Benefits | <b>2 502 000</b>  | <b>2 226 903</b>  |
| Post Retirement Medical Benefits           | 1 397 000         | 1 359 968         |
| Long Service Awards                        | 1 105 000         | 866 935           |
| <b>Total</b>                               | <b>40 989 000</b> | <b>44 631 701</b> |

### 18.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Opening Balance                  | 38 834 689        | 46 530 680        |
| Contribution during the year     | 5 307 337         | 7 048 460         |
| Current Service Cost             | 1 715 541         | 2 509 799         |
| Interest Cost                    | 3 591 796         | 4 538 661         |
| Payments made                    | (1 084 792)       | (1 097 604)       |
| Actuarial Gain                   | (8 209 234)       | (13 646 847)      |
| <b>Total balance at year-end</b> | <b>34 848 000</b> | <b>38 834 689</b> |
| Less Current Portion             | 1 397 000         | 1 359 968         |
| <b>Total</b>                     | <b>33 451 000</b> | <b>37 474 721</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

18 EMPLOYEE BENEFITS (CONTINUED)

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

|                        | 2020       | 2019       |
|------------------------|------------|------------|
| In-service members     | 132        | 135        |
| In-service non-members | 240        | 232        |
| Continuation members   | 26         | 25         |
| <b>Total</b>           | <b>398</b> | <b>392</b> |

The liability in respect of past service has been estimated to be as follows:

|                                 | 2020              | 2019              |
|---------------------------------|-------------------|-------------------|
| In-service members              | 19 540 000        | 21 769 391        |
| Continuation members            | 15 308 000        | 17 065 298        |
| <b>Total Unfunded Liability</b> | <b>34 848 000</b> | <b>38 834 689</b> |

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

|                                 | 2018              | 2017              | 2016              |
|---------------------------------|-------------------|-------------------|-------------------|
|                                 | R                 | R                 | R                 |
| In-service members              | 31 032 859        | 29 634 993        | 29 245 620        |
| Continuation members            | 15 497 821        | 15 740 180        | 14 998 411        |
| <b>Total Unfunded Liability</b> | <b>46 530 680</b> | <b>45 375 173</b> | <b>44 244 031</b> |

Experience adjustments were calculated as follows:

|                          | 2020    | 2019    |
|--------------------------|---------|---------|
|                          | R m     | R m     |
| Liabilities: (Gain)/Loss | (1.010) | (0.025) |
| Assets: Gain/(Loss)      | -       | -       |

Experience adjustments were calculated as follows in years prior to the comparative year:

|                          | 2018  | 2017    | 2016  |
|--------------------------|-------|---------|-------|
|                          | R m   | R m     | R m   |
| Liabilities: (Gain)/Loss | 0.391 | (0.130) | 2.923 |
| Assets: Gain/(Loss)      | -     | -       | -     |

The municipality contributes to the following medical schemes on a monthly basis:

|           |          |           |
|-----------|----------|-----------|
| Bonitas   | Hosmed   | Keyhealth |
| LA Health | Samwumed |           |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 18 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

|                                 | 2020   | 2019  |
|---------------------------------|--------|-------|
| <b>Interest Rates</b>           |        |       |
| Discount rate                   | 10.39% | 9.41% |
| Health Care Cost Inflation Rate | 6.58%  | 6.87% |
| Net Effective Discount Rate     | 3.57%  | 2.38% |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

#### Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

#### Normal Retirement Age

It has been assumed that in-service members will retire at age 62 (2019 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

#### Last Valuation

The last valuation was performed on 1 July 2020.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Performance are:

|   |                    |                    |
|---|--------------------|--------------------|
| Employee Related Cost - Current Service Cost                    | 1 715 541          | 2 509 799          |
| Finance Charges - Interest Cost                                 | 3 591 796          | 4 538 661          |
| Actuarial Gain  | (8 209 234)        | (13 646 847)       |
| <b>Net amount charged to Statement of Financial Performance</b> | <b>(2 901 897)</b> | <b>(6 598 387)</b> |



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

18 EMPLOYEE BENEFITS (CONTINUED)

### Sensitivity Analysis - Liability at year-end

| Assumption                               | In-service members<br>R m | Continuation members<br>R m | Total liability<br>R m | % change |
|--|---------------------------|-----------------------------|------------------------|----------|
| Liability                                | 19.540                    | 15.308                      | 34.848                 |          |
| Health care inflation                    |                           |                             |                        |          |
| + 1%                                     | 23.542                    | 16.711                      | 40.253                 | 16%      |
| - 1%                                     | 16.348                    | 14.083                      | 30.431                 | -13%     |
| Discount rate                            |                           |                             |                        |          |
| + 1%                                     | 16.472                    | 14.133                      | 30.605                 | -12%     |
| - 1%                                     | 23.426                    | 16.673                      | 40.099                 | 15%      |
| Post-retirement mortality                |                           |                             |                        |          |
| + 1 year                                 | 19.032                    | 14.794                      | 33.826                 | -3%      |
| - 1 year                                 | 20.041                    | 15.825                      | 35.866                 | 3%       |
| Average retirement age                   |                           |                             |                        |          |
| - 1 year                                 | 21.469                    | 15.308                      | 36.777                 | 6%       |
| Continuation of membership at retirement |                           |                             |                        |          |
| - 10%                                    | 15.566                    | 15.308                      | 30.874                 | -11%     |

### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

| Assumption                               | Current Service Cost<br>R m | Interest Cost<br>R m | Total Cost<br>R m | % change |
|--|-----------------------------|----------------------|-------------------|----------|
| Future Cost                              | 1.430                       | 3.550                | 4.980             |          |
| Health care inflation                    |                             |                      |                   |          |
| + 1%                                     | 1.750                       | 4.111                | 5.861             | 18%      |
| - 1%                                     | 1.180                       | 3.091                | 4.271             | -14%     |
| Discount rate                            |                             |                      |                   |          |
| + 1%                                     | 1.201                       | 3.408                | 4.609             | -7%      |
| - 1%                                     | 1.725                       | 3.701                | 5.426             | 9%       |
| Post-retirement mortality                |                             |                      |                   |          |
| + 1 year                                 | 1.393                       | 3.444                | 4.837             | -3%      |
| - 1 year                                 | 1.467                       | 3.656                | 5.123             | 3%       |
| Average retirement age                   |                             |                      |                   |          |
| - 1 year                                 | 1.535                       | 3.750                | 5.285             | 6%       |
| Continuation of membership at retirement |                             |                      |                   |          |
| - 10%                                    | 1.131                       | 3.137                | 4.268             | -14%     |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|  | 2020             | 2019             |
|--|------------------|------------------|
| <b>18 EMPLOYEE BENEFITS (CONTINUED)</b>                        |                  |                  |
| <b>18.2 Long Service Awards</b>                                |                  |                  |
| The movement in Long Service Awards are reconciled as follows: |                  |                  |
| Opening Balance  | 8 023 915        | 8 247 072        |
| Contribution during the year                                   | 1 184 100        | 1 300 035        |
| Current Service Cost   | 563 265          | 600 449          |
| Interest Cost  | 620 835          | 699 586          |
| Payments made  | (630 936)        | (621 122)        |
| Actuarial (Gain)/Loss  | 65 921           | (902 070)        |
| <b>Total balance at year-end</b>                               | <b>■ 643 000</b> | <b>■ 023 915</b> |
| Less Current Portion   | 1 105 000        | 866 935          |
| <b>Total</b>   | <b>7 538 000</b> | <b>7 156 980</b> |

The following members are eligible for long service bonuses:

|                    | 2020 | 2019 |
|--------------------|------|------|
| In-service members | 372  | 363  |

The liability in respect of past service has been estimated to be as follows:

|                                 | 2020             | 2019             |
|---------------------------------|------------------|------------------|
|                                 | ■                | R                |
| In-service members              | 8 643 000        | 8 023 915        |
| <b>Total Unfunded Liability</b> | <b>■ 643 000</b> | <b>8 023 915</b> |

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

|                                 | 2018             | 2017             | 2016             |
|---------------------------------|------------------|------------------|------------------|
|                                 | R                | ■                | ■                |
| In-service members              | ■ 247 072        | 7 302 571        | 6 995 996        |
| <b>Total Unfunded Liability</b> | <b>■ 247 072</b> | <b>7 302 571</b> | <b>■ 995 996</b> |

**CAPE AGULHAS LOCAL MUNICIPALITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|    |  |         |         |
|----|--|---------|---------|
|    |  | 2020    | 2019    |
|    |  | R       | R       |
| 18 | EMPLOYEE BENEFITS (CONTINUED)  |         |         |
|    | Experience adjustments were calculated as follows:   |         |         |
|    | Liabilities: (Gain)/Loss   | 643 920 | 496 410 |
|    | Assets: Gain/(Loss)  | -       | -       |
|    | Experience adjustments were calculated as follows in years prior to the comparative year:  |         |         |
|    |  | 2018    | 2017    |
|    |  | R       | R       |
|    | Liabilities: (Gain)/Loss   | 510 705 | 244 031 |
|    | Assets: Gain/(Loss)  | -       | -       |
|    |  | 2020    | 2019    |
|    | Key Actuarial Assumptions used are as follows:   |         |         |
|    | Interest Rates   |         |         |
|    | Discount rate  | 7.33%   | 8.17%   |
|    | General Salary Inflation (long-term)   | 4.05%   | 5.56%   |
|    | Net Effective Discount Rate applied to salary-related Long Service Bonuses   | 3.15%   | 2.47%   |
|    | The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"   |         |         |
|    | Normal Retirement Age  |         |         |
|    | It has been assumed that in-service members will retire at age 62 (2019 - 62), which then implicitly allows for expected rates of early and ill-health retirement. |         |         |
|    | Last Valuation   |         |         |
|    | The last valuation was performed on 1 July 2020.   |         |         |
|    | Actuarial Valuation Method   |         |         |
|    | The Projected Unit Credit Method has been used to value the liabilities.   |         |         |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1. The municipality is a local government entity established in terms of the Local Government: Municipal Systems Act, 1997 (Act No. 32 of 1997) and the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

|   | 2020<br>R        | 2019<br>R      |
|---|------------------|----------------|
| <b>18 EMPLOYEE BENEFITS (CONTINUED)</b>                               |                  |                |
| The amounts recognised in the Statement of Financial Performance are: |                  |                |
| Employee Related Cost - Current Service Cost                          | 563 265          | 600 449        |
| Finance Charges - Interest Cost                                       | 620 835          | 699 586        |
| Actuarial Loss/(Gain)   | 65 921           | (902 070)      |
| <b>Net amount charged to Statement of Financial Performance</b>       | <b>1 250 021</b> | <b>397 965</b> |

### Sensitivity Analysis - Liability at year-end

| Assumption               | Total liability<br>R m | % change |
|--------------------------|------------------------|----------|
| Liability                | 8.643                  |          |
| General salary inflation |                        |          |
| + 1%                     | 9.201                  | 6%       |
| - 1%                     | 8.140                  | -6%      |
| Discount rate            |                        |          |
| + 1%                     | 8.118                  | -6%      |
| - 1%                     | 9.235                  | 7%       |
| Average retirement age   |                        |          |
| - 2 years                | 7.405                  | -14%     |
| + 2 years                | 9.888                  | 14%      |
| Withdrawal rates         |                        |          |
| x 200 %                  | 7.041                  | -19%     |
| x 50 %                   | 9.782                  | 13%      |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

18

### EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

| Assumption               | Current Service Cost<br>■ | Interest Cost<br>R | Total Cost<br>■ | % change |
|--------------------------|---------------------------|--------------------|-----------------|----------|
| Future Cost              | 653 000                   | 594 000            | 1 247 000       |          |
| General salary inflation |                           |                    |                 |          |
| + 1%                     | 709 000                   | 635 000            | 1 344 000       | 8%       |
| - 1%                     | 605 000                   | 557 000            | 1 162 000       | -7%      |
| Discount rate            |                           |                    |                 |          |
| + 1%                     | 609 000                   | 631 000            | 1 240 000       | -1%      |
| - 1%                     | 705 000                   | 550 000            | 1 255 000       | 1%       |
| Average retirement age   |                           |                    |                 |          |
| - 2 years                | 573 000                   | 503 000            | 1 076 000       | -14%     |
| + 2 years                | 727 000                   | 685 000            | 1 412 000       | 13%      |
| Withdrawal rates         |                           |                    |                 |          |
| x 200 %                  | 481 000                   | 476 000            | 957 000         | -23%     |
| x 50 %                   | 786 000                   | 677 000            | 1 463 000       | 17%      |

#### 18.3 Other Pension Benefits

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>Defined Benefit Plans</b>  |                   |                   |
| Council contributes to the following defined benefit plans:   |                   |                   |
| Consolidated Retirement Fund (former Cape Retirement Fund)  | 11 980 652        | 11 050 493        |
| The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 124.9%. (Previous valuation on 30 June 2017 - 127.3%) |                   |                   |
| <b>Total</b>  | <b>11 980 652</b> | <b>11 050 493</b> |

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the year ending 30 June 2020

### 18 EMPLOYEE BENEFITS (CONTINUED)

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

#### Defined Contribution Plans

Council contributes to the following defined contribution plans:

|                                    | 2020<br>R        | 2019<br>R        |
|------------------------------------|------------------|------------------|
| Municipal Councillors Pension Fund | 162 623          | 158 634          |
| SAMWU National Provident Fund      | 990 634          | 995 454          |
| <b>Total</b>                       | <b>1 153 257</b> | <b>1 154 088</b> |

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

### 19 NON-CURRENT PROVISIONS

#### Rehabilitation Provision - Landfill Sites

|   |            |            |
|---|------------|------------|
|   | 48 752 651 | 47 222 707 |
| Balance Previously Reported                   |            | 21 032 450 |
| Prior Period Adjustment - Refer to note 45.08 |            | 26 190 257 |

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Opening Balance                  | 47 222 707        | 42 938 547        |
| Contribution during the year     | 1 529 944         | 4 284 160         |
| Increase/(Decrease) in estimate  | (2 021 146)       | 673 922           |
| Interest Cost                    | 3 551 090         | 3 610 238         |
| <b>Total balance at year-end</b> | <b>48 752 651</b> | <b>47 222 707</b> |
| Less Current Portion             | -                 | -                 |
| <b>Total</b>                     | <b>48 752 651</b> | <b>47 222 707</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the year ending 30 June 2020

|  |   | 2020<br>R         | 2019<br>R         |
|--|---|-------------------|-------------------|
| 19   | <b>NON-CURRENT PROVISIONS (CONTINUED)</b> |                   |                   |
| The total obligation at year-end can be attributed to the following sites: |   |                   |                   |
| <b>Site</b>  | <b>Expected Rehabilitation date</b>       |                   |                   |
| Bredasdorp   | 2064                                      | 5 334 193         | 7 145 101         |
| Napier   | 2024                                      | 19 009 761        | 17 319 313        |
| Waenhuiskrans  | 2024                                      | 3 637 001         | 3 386 866         |
| Struisbaai   | 2025                                      | 16 121 185        | 15 039 619        |
| L'Agulhas  | 2024 (Site Closed)                        | 4 650 511         | 4 331 808         |
| <b>Total</b>   |   | <b>48 752 651</b> | <b>47 222 707</b> |

There are no current portion associated with this liability, as there are no intention to rehabilitate any sites within 12 months of reporting date.

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate used was stated at between 7.69% and 10.00% (2019 – 7.26% and 9.00%), .

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites.

The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m<sup>2</sup>):

|               | 2020   | 2019   |
|---------------|--------|--------|
| Bredasdorp    | 78 813 | 78 813 |
| Napier        | 40 810 | 40 810 |
| Waenhuiskrans | 4 500  | 4 500  |
| Struisbaai    | 33 952 | 33 952 |
| L'Agulhas     | 5 603  | 5 603  |

The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m<sup>2</sup>):

|               |     |     |
|---------------|-----|-----|
| Bredasdorp    | 424 | 380 |
| Napier        | 505 | 459 |
| Waenhuiskrans | 877 | 814 |
| Struisbaai    | 526 | 479 |
| L'Agulhas     | 901 | 836 |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|  | 2020<br>R             | 2019<br>R             |
|--|-----------------------|-----------------------|
| <b>20 RESERVES</b>   |                       |                       |
| Accumulated Surplus  | 386 883 181           | 358 520 121           |
| Capital Replacement Reserve  | 35 000 000            | 35 000 000            |
| <b>Total</b>   | <b>421 883 181</b>    | <b>393 520 121</b>    |
| <b>21 PROPERTY RATES</b>   |                       |                       |
| Total Property Rates   | 71 989 196            | 66 941 219            |
| Less: Rebates  | (791 125)             | (834 562)             |
| <b>Total</b>   | <b>71 198 071</b>     | <b>66 106 657</b>     |
| Property rate levied are based on the following rateable valuations: |                       |                       |
| Residential  | 6 804 474 100         | 6 720 145 100         |
| Business & Commercial  | 567 141 100           | 560 392 100           |
| Industrial   | 71 824 000            | 71 824 000            |
| Public benefit Organizations   | 64 630 000            | 63 070 000            |
| Public Service Infrastructure  | 9 092 000             | 8 792 000             |
| State-owned  | 487 896 000           | 491 146 000           |
| Agricultural   | 3 124 593 000         | 3 097 553 000         |
| Municipal Property   | 246 280 950           | 243 359 950           |
| Vacant Land  | 592 014 600           | 604 388 600           |
| Other  | 132 086 000           | 127 681 000           |
| <b>Total Valuation</b>   | <b>12 100 031 750</b> | <b>11 988 351 750</b> |

Historically, valuations on land and buildings were performed every four years. The next general valuation will be implemented on 1 July 2022 after which the valuations will be performed every 5 years.

The last valuation came into effect on 1 July 2017. This resulted in new rating categories and tariffs being implemented in line with the Property Rates Act.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

|   | 2020           | 2019           |
|---|----------------|----------------|
| The following rates are applicable to the valuations above: |                |                |
| Residential Developed                                       | 0.007749 c / R | 0.007209 c / R |
| Residential Vacant  | 0.007749 c / R | 0.007209 c / R |
| Business and Commercial                                     | 0.008437 c / R | 0.007776 c / R |
| Industrial  | 0.008437 c / R | 0.007776 c / R |
| Public Benefit Organisations                                | 0.007412 c / R | 0.006895 c / R |
| State Owned   | 0.008437 c / R | 0.007776 c / R |
| Agricultural - Bona fide                                    | 0.001938 c / R | 0.001803 c / R |



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|   | 2020           | 2019           |
|---|----------------|----------------|
| <b>21 PROPERTY RATES (CONTINUED)</b>    |                |                |
| Public Service Purpose                  | 0.007412 c / R | 0.006895 c / R |
| Public Service Infrastructure           | 0.001938 c / R | 0.001803 c / R |
| Private Open Space                      | 0.007749 c / R | 0.007209 c / R |
| Private Road                            | 0.007749 c / R | 0.007209 c / R |
| Private Township Area                   | 0.007749 c / R | 0.007209 c / R |
| Protected Area                          | 0.007749 c / R | 0.007209 c / R |
| Multi Purpose - Agricultural            | 0.001938 c / R | 0.001803 c / R |
| Multi Purpose - Residential             | 0.007749 c / R | 0.007209 c / R |
| Multi Purpose - Business and Commercial | 0.008437 c / R | 0.007776 c / R |
| Multi Purpose - Creche                  | 0.008437 c / R | 0.007776 c / R |

Rates are levied annually and monthly. Monthly rates are payable by the last day of the following month and annual rates are payable before 31 October. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>22 GOVERNMENT GRANTS AND SUBSIDIES</b>         |                   |                   |
| <b>Unconditional Grants - National Government</b> | <b>29 908 000</b> | <b>27 606 000</b> |
| Equitable Share                                   | 29 908 000        | 27 606 000        |
| <b>Conditional Grants - National Government</b>   | <b>21 273 322</b> | <b>24 949 872</b> |
| Financial Management Grant (FMG)                  | 1 550 000         | 1 550 000         |
| Municipal Infrastructure Grant (MIG)              | 11 005 000        | 13 874 000        |
| Skills Development Fund and SETA Bursaries        | 680 322           | 1 384 872         |
| National Electrification Programme (INEP)         | -                 | 2 000 000         |
| Energy Efficiency and Demand-side (EEDM)          | 6 000 000         | 5 000 000         |
| Expanded Public Works Program (EPWP)              | 1 740 000         | 1 141 000         |
| Disaster Relief (COVID 19)                        | 298 000           | -                 |
| <b>Conditional Grants - Provincial Government</b> | <b>12 877 795</b> | <b>9 315 616</b>  |
| Library Grant                                     | 6 003 000         | 6 910 000         |
| Proclaimed Road Subsidy                           | 62 400            | -                 |
| Other Provincial Allocations                      | 6 812 395         | 2 405 616         |
| <b>Total</b>                                      | <b>64 059 117</b> | <b>61 871 488</b> |
| Disclosed as:                                     |                   |                   |
| Government Grants and Subsidies - Capital         | 19 120 254        | 20 682 357        |
| Government Grants and Subsidies - Operating       | 44 938 863        | 41 189 131        |
| <b>Total</b>                                      | <b>64 059 117</b> | <b>61 871 488</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1. The Municipality's financial statements are prepared in accordance with the accounting policies adopted by the Municipality for the year ending 30 June 2020.

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b> |                   |                   |
| Grants per Vote (MFMA Sec 123 (c)):                   |                   |                   |
| Equitable share                                       | 29 908 000        | 27 606 000        |
| Engineering Services                                  | 18 539 400        | 21 193 458        |
| Executive and Council                                 | 5 514 717         | 2 813 974         |
| Financial Services & ICT                              | 3 372 000         | 2 250 720         |
| Management Services                                   | 6 725 000         | 8 007 336         |
| <b>Total</b>  | <b>64 059 117</b> | <b>61 871 488</b> |

The movements per grant can be summarised as follows:

### 22.01 Equitable Share

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Grants Received                    | 29 908 000   | 27 606 000   |
| Transferred to Revenue - Operating | (29 908 000) | (27 606 000) |
| <b>Closing Unspent Balance</b>     | <b>-</b>     | <b>-</b>     |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### 22.02 Financial Management Grant (FMG)

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Grants Received                    | 1 550 000   | 1 550 000   |
| Transferred to Revenue - Capital   | -           | (250 000)   |
| Transferred to Revenue - Operating | (1 550 000) | (1 300 000) |
| <b>Closing Unspent Balance</b>     | <b>-</b>    | <b>-</b>    |

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

### 22.03 Municipal Infrastructure Grant (MIG)

|                                    |             |              |
|------------------------------------|-------------|--------------|
| Grants Received                    | 11 005 000  | 13 874 000   |
| Transferred to Revenue - Capital   | (9 126 513) | (12 511 076) |
| Transferred to Revenue - Operating | (1 878 487) | (1 362 924)  |
| <b>Closing Unspent Balance</b>     | <b>-</b>    | <b>-</b>     |

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|  | 2020<br>R    | 2019<br>R      |
|--|--------------|----------------|
| <b>22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>  |              |                |
| <b>22.04 Skills Development Fund and SETA Bursaries</b>  |              |                |
| Opening Unspent Balance  | 208 872      | -              |
| Grants Received  | 476 976      | 1 593 744      |
| Transferred to Revenue - Operating   | (680 322)    | (1 384 872)    |
| <b>Closing Unspent Balance</b>   | <b>5 526</b> | <b>208 872</b> |
| The Skills Development fund (including SETA allocations) is utilised to cover expenditure relating to training and bursary beneficiaries defined.  |              |                |
| <b>22.05 National Electrification Programme (INEP)</b>   |              |                |
| Grants Received  | -            | 2 000 000      |
| Transferred to Revenue - Capital   | -            | (1 825 847)    |
| Transferred to Revenue - Operating   | -            | (174 153)      |
| <b>Closing Unspent Balance</b>   | <b>-</b>     | <b>-</b>       |
| The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.                     |              |                |
| <b>22.06 Energy Efficiency and Demand-side (EEDM)</b>  |              |                |
| Grants Received  | 6 000 000    | 5 000 000      |
| Transferred to Revenue - Capital   | (5 160 000)  | (4 781 453)    |
| Transferred to Revenue - Operating   | (840 000)    | (218 547)      |
| <b>Closing Unspent Balance</b>   | <b>-</b>     | <b>-</b>       |
| The Energy Efficiency and Demand-side Management funding program is aimed at promoting the implementation of more energy-efficient technologies, processes and behaviours amongst all electricity consumers.                   |              |                |
| <b>22.07 Expanded Public Works Program (EPWP)</b>  |              |                |
| Grants Received  | 1 740 000    | 1 141 000      |
| Transferred to Revenue - Operating   | (1 740 000)  | (1 141 000)    |
| <b>Closing Unspent Balance</b>   | <b>-</b>     | <b>-</b>       |
| The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines. |              |                |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|   | 2020<br>R      | 2019<br>R      |
|---|----------------|----------------|
| <b>22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>   |                |                |
| <b>22.08 Disaster Relief (COVID 19)</b>   |                |                |
| Grants Received   | 298 000        | -              |
| Transferred to Revenue - Operating  | (298 000)      | -              |
| <b>Closing Unspent Balance</b>  | <b>-</b>       | <b>-</b>       |
| This grant was utilised for the purchase of personal protective equipment and other materials in the fight against the COVID-19 pandemic. |                |                |
| <b>22.09 Library Grant</b>  |                |                |
| Grants Received   | 6 003 000      | 6 910 000      |
| Transferred to Revenue - Capital  | -              | (71 950)       |
| Transferred to Revenue - Operating  | (6 003 000)    | (6 838 050)    |
| <b>Closing Unspent Balance</b>  | <b>-</b>       | <b>-</b>       |
| The library grants is utilised to fund the cost of providing library services within the municipal area.                                  |                |                |
| <b>22.10 Proclaimed Road Subsidy</b>  |                |                |
| Grants Received   | 62 400         | -              |
| Transferred to Revenue - Operating  | (62 400)       | -              |
| <b>Closing Unspent Balance</b>  | <b>-</b>       | <b>-</b>       |
| The subsidy is utilised to upgrade and maintain the provincial road network in the municipal area.  |                |                |
| <b>22.11 Other Provincial Allocations</b>   |                |                |
| Opening Unspent Balance   | 861 844        | 400 460        |
| Grants Received   | 6 237 000      | 2 867 000      |
| Transferred to Revenue - Capital  | (4 833 741)    | (1 242 031)    |
| Transferred to Revenue - Operating  | (1 978 654)    | (1 163 585)    |
| <b>Closing Unspent Balance</b>  | <b>286 449</b> | <b>861 844</b> |
| Other Provincial Allocations includes grants such as:   |                |                |
| - Community Development Workers (CDW)   |                |                |
| - Provincial Finance Management Support Grant   |                |                |
| - Humanitarian Relief Grant (COVID 19)  |                |                |
| - Regional Socio-Economic Project Grant (RSEP)  |                |                |
| - Department of Environmental Affairs and Tourism Grant   |                |                |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|   | 2020<br>R      | 2019<br>R        |
|---|----------------|------------------|
| <b>22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>   |                |                  |
| <b>22.12 Total Grants</b>   |                |                  |
| Opening Unspent Balance   | 1 070 716      | 400 460          |
| Grants Received   | 63 280 376     | 62 541 744       |
| Transferred to Revenue - Capital  | (19 120 254)   | (20 682 357)     |
| Transferred to Revenue - Operating  | (44 938 863)   | (41 189 131)     |
| <b>Closing Unspent Balance</b>  | <b>291 975</b> | <b>1 070 716</b> |
| <b>23 PUBLIC CONTRIBUTIONS AND DONATIONS</b>  |                |                  |
| Mayoral Golf Day  | 48 700         | 39 140           |
| COVID 19 Fund   | 141 330        | -                |
| Youth Worker  | -              | 8 000            |
| <b>Total</b>  | <b>190 030</b> | <b>47 140</b>    |
| Disclosed as:   |                |                  |
| Public Contributions and Donations - Operating  | 190 030        | 47 140           |
| <b>Total</b>  | <b>190 030</b> | <b>47 140</b>    |
| The movements per public contribution can be summarised as follows:   |                |                  |
| <b>23.01 Mayoral Golf Day</b>   |                |                  |
| Opening Unspent Balance   | 78 086         | 60 519           |
| Public Contributions during the year  | 77 181         | 56 707           |
| Transferred to Revenue - Operating  | (48 700)       | (39 140)         |
| <b>Closing Unspent Balance</b>  | <b>106 567</b> | <b>78 086</b>    |
| The public contribution relates to Mayoral Charity Golf Days held in Bredasdorp during March every year since 2016. The funds raised at the event will be utilised to support Youth Development programmes in the municipal area. |                |                  |
| <b>23.02 COVID 19 Fund</b>  |                |                  |
| Public Contributions during the year  | 141 330        | -                |
| Transferred to Revenue - Operating  | (141 330)      | -                |
| <b>Closing Unspent Balance</b>  | <b>-</b>       | <b>-</b>         |
| The contributions received was utilised to provide humanitarian relief to the community in the municipal area during the COVID 19 pandemic.   |                |                  |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|  | 2020<br>R        | 2019<br>R         |
|--|------------------|-------------------|
| <b>23 PUBLIC CONTRIBUTIONS AND DONATIONS (CONTINUED)</b>   |                  |                   |
| <b>23.03 Youth Worker</b>  |                  |                   |
| Opening Unspent Balance  | -                | 6 000             |
| Public Contributions during the year   | -                | 2 000             |
| Transferred to Revenue - Operating   | -                | (8 000)           |
| <b>Closing Unspent Balance</b>   | <b>-</b>         | <b>-</b>          |
| Public contribution by Realty 1, Struisbaai to support the monthly payment of salary in terms of one youth worker at Struisbaai aligned with Council's vision to support Youth Development in the Cape Agulhas area. |                  |                   |
| <b>23.04 Total</b>   |                  |                   |
| Opening Unspent Balance  | 78 086           | 66 519            |
| Public Contributions during the year   | 218 511          | 58 707            |
| Transferred to Revenue - Operating   | (190 030)        | (47 140)          |
| <b>Closing Unspent Balance</b>   | <b>106 567</b>   | <b>78 086</b>     |
| <b>24 CONTRIBUTED ASSETS</b>   |                  |                   |
| Department of Water and Sanitation   | 75 000           | -                 |
| Department of Rural Development and Land Reform  | 1 929 248        | -                 |
| Department of Arts and Culture   | 42 887           | -                 |
| <b>Total</b>   | <b>2 047 134</b> | <b>-</b>          |
| <b>25 FINES</b>  |                  |                   |
| Traffic Fines  | 8 623 482        | 17 545 332        |
| Library Fines  | 19 437           | 29 315            |
| <b>Total</b>   | <b>8 642 918</b> | <b>17 574 647</b> |
| In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.  |                  |                   |
| <b>26 ACTUARIAL GAINS</b>  |                  |                   |
| Post Retirement Medical Benefits   | 8 209 234        | 13 646 847        |
| Long Service Awards  | -                | 902 070           |
| <b>Total</b>   | <b>8 209 234</b> | <b>14 548 917</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|   | 2020<br>■          | 2019<br>R          |
|---|--------------------|--------------------|
| <b>27 SERVICE CHARGES</b>   |                    |                    |
| Electricity Revenue   | 122 224 269        | 109 586 813        |
| Water Revenue   | 31 807 429         | 28 997 041         |
| Refuse Removal Revenue  | 26 140 343         | 23 306 962         |
| Sewerage and Sanitation Revenue   | 17 339 157         | 14 450 830         |
| <b>Total Revenue</b>  | <b>197 511 198</b> | <b>176 341 646</b> |
| Less: Rebates   | (15 014 755)       | (10 334 660)       |
| Water Revenue   | (4 356 282)        | (2 952 012)        |
| Refuse Removal Revenue  | (6 288 822)        | (4 641 149)        |
| Sewerage and Sanitation Revenue   | (4 369 650)        | (2 741 500)        |
| <b>Total</b>  | <b>182 496 443</b> | <b>166 006 985</b> |
| Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it. |                    |                    |
| <b>28 RENTAL OF FACILITIES AND EQUIPMENT</b>  |                    |                    |
| Halls and Offices   | 140 931            | 326 346            |
| Properties  | 2 182 232          | 1 407 223          |
| Resorts   | 6 338 197          | 6 789 424          |
| Sports Grounds  | 6 504              | 7 955              |
| <b>Total</b>  | <b>8 667 864</b>   | <b>■ 530 947</b>   |
| <b>29 INTEREST EARNED - OUTSTANDING DEBTORS</b>   |                    |                    |
| Interest Earned - Service Debtors   | 1 042 663          | 1 771 484          |
| Interest Earned - Penalty Interest on Property Rates  | 338 185            | 610 697            |
| <b>Total</b>  | <b>1 380 847</b>   | <b>2 382 181</b>   |
| <b>30 LICENCES AND PERMITS</b>  |                    |                    |
| Roadworthy Certificates   | 35 755             | 66 307             |
| Roadworthy Applications   | 180 398            | 306 081            |
| Driver Licences   | 496 194            | 821 731            |
| Business Licences   | 9 396              | 9 657              |
| <b>Total</b>  | <b>721 743</b>     | <b>1 203 775</b>   |
| <b>31 AGENCY SERVICES</b>   |                    |                    |
| Vehicle Licencing   | 1 346 274          | 1 414 187          |
| Vehicle Registrations   | 535 069            | 583 787            |
| Temporary and Special Licences  | 15 228             | 17 898             |
| Duplicate Vehicle Registrations   | 54 441             | 71 042             |
| <b>Total</b>  | <b>1 951 011</b>   | <b>2 086 914</b>   |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|   | 2020<br>R         | 2019<br>R        |
|---|-------------------|------------------|
| <b>31 AGENCY SERVICES (CONTINUED)</b>   |                   |                  |
| The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle registrations and licencing, Temporary and Special Licences and the issuing of Duplicate Vehicle Licences. The municipality earns an agency fee (12% on Vehicle Licences and 100% on all other collections) in this regard. The following transactions occurred during the period under review: |                   |                  |
| Collections payable to the Department at beginning of year  | 144 636           | 219 557          |
| Revenue collected from third parties  | 12 878 403        | 13 656 831       |
| Agency Fee Earned   | (1 951 011)       | (2 086 914)      |
| VAT on Agency Fee Earned  | (294 532)         | (313 038)        |
| Collections paid over to The Department   | (10 299 864)      | (11 331 800)     |
| <b>Collections payable to the Department at end of year</b>   | <b>477 631</b>    | <b>144 636</b>   |
| <b>32 OTHER INCOME</b>  |                   |                  |
| Connections - Electricity   | 1 455 945         | 1 577 253        |
| Connections - Water   | 677 639           | 765 473          |
| Connections - Sewer   | 155 784           | 244 233          |
| Building Plan Fees  | 1 379 175         | 1 742 023        |
| Garden Refuse Removal   | 12 502            | 14 949           |
| Infrastructure Levy   | 4 298 494         | -                |
| Sundry Income   | 2 450 700         | 3 366 934        |
| <b>Total</b>  | <b>10 430 238</b> | <b>7 710 865</b> |

Sundry income represents a wide range of revenue items (such as payroll commission, tender deposits, burial fees, copies and faxes) which is not considered material to warrant separate disclosure in the financial statements.

The Infrastructure levy relates to a nominal charge per consumer during the year to cover the interest and capital repayments of borrowing utilised in the construction of infrastructure and other capital projects.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|                                     | 2020<br>R          | 2019<br>R          |
|-------------------------------------|--------------------|--------------------|
| <b>33 EMPLOYEE RELATED COSTS</b>    |                    |                    |
| Basic Salaries and Wages            | 94 458 916         | 85 828 881         |
| Pension and UIF Contributions       | 14 392 516         | 13 319 373         |
| Medical Aid Contributions           | 5 024 121          | 4 552 904          |
| Performance Bonus                   | 486 308            | 223 199            |
| Overtime                            | 4 737 886          | 4 166 459          |
| Motor Vehicle Allowance             | 6 022 071          | 5 876 906          |
| Cellphone Allowance                 | 495 376            | 452 150            |
| Housing Allowances                  | 1 032 746          | 1 074 654          |
| Acting Allowance                    | 509 315            | 579 721            |
| Other benefits and allowances       | 4 835 528          | 4 163 041          |
| Workmens Compensation Contributions | 664 681            | 559 663            |
| Payments in lieu of leave           | 2 795 306          | 1 300 470          |
| Long service awards                 | 563 265            | 600 449            |
| Post Retirement Medical Benefits    | 1 715 541          | 2 509 799          |
| <b>Total</b>                        | <b>137 733 576</b> | <b>125 207 668</b> |

The total employee related cost includes temporary workers funded from the Expanded Public Works Programme Grant, Financial Management Grant, Municipal Infrastructure Grant and internal funded job creation programmes over the festive season.

### Remuneration of Key Personnel

All Managers are appointed on a 5-year contract, except for the current Director Infrastructure Services (Mr A Jacobs) who is appointed on a 10 year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

### Remuneration of the Municipal Manager - D O'Neill (16/08/2017 to 31/07/2022)

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Basic Salary                  | 1 501 193        | 1 504 251        |
| Pension and UIF Contributions | 1 785            | 1 785            |
| Medical Aid Contributions     | 53 908           | 50 342           |
| Performance Bonus             | 175 938          | 124 834          |
| Motor Vehicle Allowance       | 72 000           | 72 000           |
| Cellphone Allowance           | 18 000           | 18 000           |
| Payments in lieu of leave     | 22 227           | 38 898           |
| Other benefits and allowances | 37 756           | 29 009           |
| Other Expenditure Reimbursed  | 78 376           | 67 826           |
| <b>Total</b>                  | <b>1 961 184</b> | <b>1 906 945</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

33

### EMPLOYEE RELATED COSTS (CONTINUED)

|  | 2020<br>R        | 2019<br>R        |
|--|------------------|------------------|
| <b>Remuneration of the Community Services Manager - KM Mrali (01/08/2013 to 31/10/2018)</b>          |                  |                  |
| Basic Salary   | -                | 283 913          |
| Pension and UIF Contributions  | -                | 54 733           |
| Medical Aid Contributions  | -                | 16 597           |
| Motor Vehicle Allowance  | -                | 12 000           |
| Payments in lieu of leave  | -                | 7 667            |
| Other benefits and allowances  | -                | 18 173           |
| Other Expenditure Reimbursed   | -                | 3 946            |
| <b>Total</b>   | <b>-</b>         | <b>397 029</b>   |
| <b>Remuneration of the Community Services Manager - H Krohn (01/07/2019 to 30/06/2029)</b>           |                  |                  |
| Basic Salary   | 845 548          | -                |
| Pension and UIF Contributions  | 1 785            | -                |
| Motor Vehicle Allowance  | 60 000           | -                |
| Cellphone Allowance  | 16 200           | -                |
| <b>Total</b>   | <b>923 533</b>   | <b>-</b>         |
| <b>Remuneration of the Civil Engineering Services Manager - AA Jacobs (20/06/2018 to 30/06/2028)</b> |                  |                  |
| Basic Salary   | 1 017 470        | 975 523          |
| Pension and UIF Contributions  | 1 785            | 14 760           |
| Performance Bonus  | 72 936           | -                |
| Cellphone Allowance  | 16 200           | 16 200           |
| Other benefits and allowances  | -                | 1 132            |
| Other Expenditure Reimbursed   | 43 267           | 56 228           |
| <b>Total</b>   | <b>1 151 659</b> | <b>1 063 842</b> |
| <b>Remuneration of the Chief Financial Officer - PJ Van Biljon (01/08/2017 to 31/07/2022)</b>        |                  |                  |
| Basic Salary   | 1 172 880        | 1 172 880        |
| Pension and UIF Contributions  | 1 785            | 1 785            |
| Medical Aid Contributions  | 53 484           | 50 342           |
| Performance Bonus  | 103 430          | 100 908          |
| Motor Vehicle Allowance  | 120 000          | 120 000          |
| Cellphone Allowance  | 14 400           | 14 400           |
| Payments in lieu of leave  | 41 538           | -                |
| Other Expenditure Reimbursed   | 24 653           | 22 044           |
| <b>Total</b>   | <b>1 532 170</b> | <b>1 482 358</b> |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|           |  | 2020<br>R         | 2019<br>R         |
|-----------|--|-------------------|-------------------|
| <b>34</b> | <b>REMUNERATION OF COUNCILLORS</b>   |                   |                   |
|           | Councillor Allowance   | 3 252 263         | 3 095 276         |
|           | Cellphone Allowance  | 488 400           | 488 400           |
|           | Motor Vehicle Allowance  | 1 291 026         | 1 241 999         |
|           | Pension Contributions  | 558 411           | 537 936           |
|           | Medical Aid Contributions  | 41 624            | 77 638            |
|           | <b>Total</b>   | <b>5 631 724</b>  | <b>5 441 248</b>  |
|           | <b>In-kind Benefits</b>  |                   |                   |
|           | The Executive Mayor, Deputy Executive Mayor, Speaker and one mayoral committee member are full-time. They are provided with secretarial support and an office each at the cost of the Council. |                   |                   |
|           | <b>Remuneration per Councillor</b>   |                   |                   |
|           | Executive Mayor P J Swart  | 901 545           | 869 876           |
|           | Executive Deputy Mayor Z Tonisi  | 730 117           | 704 782           |
|           | Speaker J G A Niewoudt   | 730 341           | 705 147           |
|           | Councillor - Mayoral Committee G D Burger  | 687 819           | 663 850           |
|           | Councillor - Mayoral Committee M October   | 687 296           | 663 508           |
|           | Councillor - Part time D Jantjies  | 315 890           | 305 777           |
|           | Councillor - Part time E C Marthinus   | 315 890           | 305 777           |
|           | Councillor - Part time E Sauls   | 315 655           | 305 633           |
|           | Councillor - Part time C J Jacobs  | 315 655           | 305 633           |
|           | Councillor - Part time R J Baker   | 315 655           | 305 633           |
|           | Councillor - Part time D J Europa  | 315 863           | 305 633           |
|           | <b>Total</b>   | <b>■ 631 724</b>  | <b>5 441 248</b>  |
| <b>35</b> | <b>DEBT IMPAIRMENT</b>   |                   |                   |
|           | Receivables from exchange transactions   | 12 055 419        | 7 812 003         |
|           | Receivables from non-exchange transactions   | 7 887 996         | 14 560 690        |
|           | Long Term Receivables  | 668 138           | 1 418 781         |
|           | <b>Total Debt Impairment</b>   | <b>20 611 553</b> | <b>23 791 475</b> |
|           | Movement in VAT included in debt impairment  | (750 799)         | (320 404)         |
|           | <b>Total</b>   | <b>19 860 753</b> | <b>23 471 071</b> |
| <b>36</b> | <b>DEPRECIATION AND AMORTISATION</b>   |                   |                   |
|           | Investment Property  | 8 530             | 8 530             |
|           | Property, Plant and Equipment  | 14 476 494        | 13 041 580        |
|           | Intangible Assets  | 717 906           | 554 738           |
|           | <b>Total</b>   | <b>15 202 929</b> | <b>13 604 848</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The following table shows the breakdown of the expenditure for the year ending 30 June 2020.

|                               | 2020<br>R    | 2019<br>R |
|-------------------------------|--------------|-----------|
| <b>37 IMPAIRMENTS</b>         |              |           |
| Property, Plant and Equipment | 4 387        | -         |
| <b>Total</b>                  | <b>4 387</b> | <b>-</b>  |

### 38 REPAIRS AND MAINTENANCE

The Accounting Standards Board (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by its nature. Accordingly, the items were reclassified to the following line items.

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Employee Related Costs | 40 875 053        | 38 721 533        |
| Contracted Services    | 8 095 025         | 10 380 103        |
| Other Expenditure      | 7 982 077         | 7 187 958         |
| <b>Total</b>           | <b>56 952 154</b> | <b>56 289 594</b> |

In line with the requirements of GRAP 17, the repairs and maintenance related expenditure can be attributed to the following asset classes:

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Furniture, Office Equipment and Tools | 624 202           | 721 411           |
| Buildings and Commonage               | 12 768 683        | 13 115 442        |
| Computer Software                     | 1 664 954         | 1 735 119         |
| Vehicles                              | 3 387 167         | 3 660 753         |
| Infrastructure: Roads and Stormwater  | 11 325 319        | 10 161 833        |
| Infrastructure: Electricity           | 7 377 669         | 7 526 239         |
| Infrastructure: Sewerage              | 6 792 591         | 6 924 304         |
| Infrastructure: Water                 | 11 655 277        | 11 104 837        |
| Infrastructure: Refuse                | 1 356 293         | 1 339 656         |
| <b>Total</b>                          | <b>56 952 154</b> | <b>56 289 594</b> |

|  |                   |
|--|-------------------|
| <b>Balance Previously Reported</b>         | <b>57 206 281</b> |
| Prior Period Adjustment                    | (916 687)         |
| <b>Restated disclosure on 30 June 2019</b> | <b>56 289 594</b> |

The prior year disclosure were reviewed to include/exclude (especially Computer Software) which are not considered maintenance related. Also refer to note 45.09 for more detail relating to restatements.

### 39 ACTUARIAL LOSSES

|                     |               |          |
|---------------------|---------------|----------|
| Long Service Awards | 65 921        | -        |
| <b>Total</b>        | <b>65 921</b> | <b>-</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>40 FINANCE CHARGES</b>                 |                   |                   |
| Finance Charges - Cash                    | 3 091 359         | 1 856 421         |
| Annuity Loans                             | 3 091 359         | 1 856 421         |
| Finance Charges - Non-Cash                | 7 763 721         | ■ 848 485         |
| Rehabilitation Provision - Landfill Sites | 3 551 090         | 3 610 238         |
| Post Retirement Medical Benefits          | 3 591 796         | 4 538 661         |
| Long Service Awards                       | 620 835           | 699 586           |
| <b>Total</b>                              | <b>10 855 080</b> | <b>10 704 907</b> |
| <b>41 BULK PURCHASES</b>                  |                   |                   |
| Electricity                               | 89 050 774        | 76 582 732        |
| Water                                     | 280 072           | 177 960           |
| <b>Total</b>                              | <b>89 330 846</b> | <b>76 760 692</b> |
| <b>42 CONTRACTED SERVICES</b>             |                   |                   |
| Audit Committee                           | 85 676            | 111 552           |
| Builders                                  | -                 | 1 273 739         |
| Clearing & Grass Cutting Services         | 6 362             | 21 200            |
| Debt Collection Services                  | 236 412           | 106 824           |
| Electrical                                | 577 524           | 960 137           |
| Fire Services                             | 1 250 000         | 1 007 950         |
| Information Technology Support            | 3 739 932         | 3 390 989         |
| Legal fees                                | 352 810           | 448 143           |
| Maintenance Contractors                   | 6 322 354         | 8 557 083         |
| Professional Services                     | 6 131 432         | 4 538 967         |
| Property Valuation                        | 119 920           | 96 951            |
| Refuse Removal                            | 3 688 970         | 2 488 799         |
| Security Services                         | 1 010 348         | 606 466           |
| Traffic Fine Management                   | 1 084 629         | 1 404 742         |
| <b>Total</b>                              | <b>24 606 371</b> | <b>25 013 541</b> |
| <b>43 TRANSFERS AND GRANTS</b>            |                   |                   |
| Contribution - Elim Community             | 912 000           | 268 544           |
| Contribution - Kassiebaai Community       | -                 | 60 000            |
| Contribution - Shipwreck Museum           | 70 000            | 45 652            |
| Contribution - Overberg Radio             | 120 000           | -                 |
| Contribution - Ons Huis                   | 50 000            | 50 000            |
| Contribution - Save House                 | 124 870           | 100 000           |
| Public Funded Grants                      | 72 007            | 39 140            |
| COVID Support                             | 2 101 587         | -                 |
| Subsidy - Low Cost Housing                | 4 664             | 17 633            |
| <b>Total</b>                              | <b>■ 455 128</b>  | <b>580 970</b>    |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

| 44 |                                       | 2020              | 2019              |
|----|---------------------------------------|-------------------|-------------------|
|    | OTHER EXPENDITURE                     | R                 | R                 |
|    | Advertising                           | 202 354           | 298 714           |
|    | Audit fees                            | 3 257 511         | 3 119 129         |
|    | Bank Charges                          | 1 247 948         | 1 139 285         |
|    | Bursaries                             | 1 022 699         | 1 668 840         |
|    | Chemicals                             | 2 848 652         | 2 429 055         |
|    | Cleaning material                     | 298 096           | 265 557           |
|    | Cleaning services & washing           | 71 602            | 98 872            |
|    | Commission Paid                       | 1 317 167         | 1 680 528         |
|    | Conferences & Seminars                | 49 285            | 80 385            |
|    | Donations                             | 128 700           | 124 000           |
|    | Entertainment costs                   | 206 226           | 193 161           |
|    | Equipment Hire                        | 327 684           | 269 524           |
|    | Free Basic Electricity                | 402 834           | 416 932           |
|    | Fuel Cost                             | 3 441 688         | 3 433 089         |
|    | Insurance                             | 1 162 654         | 987 419           |
|    | License fees                          | 12 277            | 4 280             |
|    | License fees - Vehicles               | 224 026           | 173 877           |
|    | Life Guards (Beaches)                 | 335 179           | 350 405           |
|    | Local Economic Development            | -                 | 106 188           |
|    | Maintenance Materials and Small Tools | 4 256 786         | 3 351 368         |
|    | Marketing                             | 762 025           | 625 821           |
|    | Oil & Lubricants                      | 85 576            | 78 725            |
|    | Postage                               | 674 113           | 751 537           |
|    | Printing & Stationery                 | 613 073           | 791 991           |
|    | Protective Clothing                   | 611 810           | 501 848           |
|    | Public Communication                  | 94 506            | 42 016            |
|    | Recruiting Costs                      | 7 299             | 12 394            |
|    | Refuse Bags                           | 392 015           | 577 380           |
|    | Rental Paid                           | 1 070 712         | 818 571           |
|    | Service Charges                       | 1 279 019         | 1 036 027         |
|    | Service connections - new             | 209 642           | 143 732           |
|    | Shared Services - Risk Management     | 43 149            | 79 200            |
|    | Social Assistance                     | -                 | 33 759            |
|    | Socio-Economic Development            | 113 696           | 230 242           |
|    | Structure - & Zoning planning         | 31 678            | 182 830           |
|    | Subscriptions - Organisations         | 1 361 209         | 1 203 744         |
|    | Subsistence & Travel Allowances       | 1 130 337         | 1 330 699         |
|    | Telephone costs                       | 2 222 621         | 1 395 103         |
|    | Training & Development - Staff        | 1 126 428         | 1 939 170         |
|    | Training Levy                         | 925 870           | 1 007 447         |
|    | Tyres                                 | 136 214           | 260 876           |
|    | Union Representative                  | 32 490            | 32 522            |
|    | Ward Committees                       | 147 172           | 96 961            |
|    | Other                                 | 1 993 866         | 2 355 541         |
|    | <b>Total</b>                          | <b>35 877 889</b> | <b>35 718 742</b> |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

2019  
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### 45 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP

#### 45.01 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported 25 059 661

Receivables with Repayment Arrangements incorrectly included as part of current debtors instead of Long Term Receivables - Refer to note 45.03

|   |             |
|---|-------------|
| Effect on Other Services (Gross Receivable)         | (2 768 483) |
| Effect on Other Services (Allowance for Impairment) | 2 768 483   |

Government Debt incorrectly impaired up to 30 June 2018 - Refer to note 45.07 342 432

|                          |         |
|--------------------------|---------|
| Effect on Electricity    | 30 023  |
| Effect on Water          | 21 836  |
| Effect on Refuse         | 17 701  |
| Effect on Sewerage       | 38 114  |
| Effect on Other Services | 234 758 |

Government Debt incorrectly impaired during 2018/19 - Refer to note 45.09 17 621

|                          |         |
|--------------------------|---------|
| Effect on Electricity    | (6 751) |
| Effect on Water          | (2 374) |
| Effect on Refuse         | 1 789   |
| Effect on Sewerage       | 8 252   |
| Effect on Other Services | 16 704  |

Restated Balance on 30 June 2019 25 419 714

#### 45.02 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance previously reported 8 020 868

Government Debt incorrectly impaired up to 30 June 2018 (Rates) - Refer to note 45.08 868 821

Government Debt incorrectly impaired during 2018/19 - Refer to note 45.09 233 729

Restated Balance on 30 June 2019 9 123 417

#### 45.03 LONG-TERM RECEIVABLES

Balance previously reported 184 455

Receivables with Repayment Arrangements incorrectly included as part of current debtors instead of Long Term Receivables - Refer to note 45.01

|   |             |
|---|-------------|
| Effect on Receivables with Repayment Arrangements (Gross Receivable)          | 2 768 483   |
| Effect on Receivables with Repayment Arrangements (Allowance for Impairments) | (2 768 483) |

Restated Balance on 30 June 2019 184 455

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are presented in accordance with the requirements of the Municipal Finance Management Act (MFMA) and the Accounting Standards for South Africa (AS) issued by the Accounting Standards Board (ASB).

2019  
R

### 45 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR ■ TERMS OF GRAP ■ (CONTINUED)

#### 45.04 PROPERTY PLANT AND EQUIPMENT

|  |                    |
|--|--------------------|
| Balance previously reported  | 375 287 463        |
| Inappropriate decommissioning dates allocated to landfill sites affecting both current values of provisions as well as capitalised asset values. | (1 167 072)        |
| Effect on 30 June 2018 - Refer to note 45.08   | (87 131)           |
| Cost   | 17 966 079         |
| Accumulated Depreciation   | (18 320 128)       |
| Accumulated Impairment   | 266 917            |
| Effect on Additions during 2018/19 - Refer to note 45.07   | (293 557)          |
| Effect on Depreciation during 2018/19 - Refer to note 45.09  | (786 384)          |
| Recognise infrastructure relating to housing projects previously not recognised up to 30 June 2018 - Refer to note 45.08                         | 31 703 934         |
| Effect on Roads and Storm water (Cost)   | 21 707 805         |
| Effect on Sewerage Network (Cost)  | 4 676 884          |
| Effect on Water Network (Cost)   | 5 335 052          |
| Effect on Roads and Storm water (Accumulated Depreciation)   | (14 125)           |
| Effect on Sewerage Network (Accumulated Depreciation)  | (513)              |
| Effect on Water Network (Accumulated Depreciation)   | (1 169)            |
| Recognise depreciation relating to housing projects previously not recognised during 2018/19 - Refer to note 45.09                               | (678 027)          |
| Effect on Roads and Storm water (Depreciation)   | (524 557)          |
| Effect on Sewerage Network (Depreciation)  | (46 769)           |
| Effect on Water Network (Depreciation)   | (106 701)          |
| <b>Restated Balance on 30 June 2019</b>  | <b>405 146 297</b> |

#### 45.05 PAYABLES FROM EXCHANGE TRANSACTIONS

|  |                   |
|--|-------------------|
| Balance previously reported  | 32 576 327        |
| Recognise payables previously not recorded on 30 June 2019 - Refer to note 45.09 | 16 972            |
| <b>Restated Balance on 30 June 2019</b>  | <b>32 593 299</b> |



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|  | 2019<br>R          |
|--|--------------------|
| <b>45 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP ■ (CONTINUED)</b>  |                    |
| <b>45.06 TAXES</b>   |                    |
| Balance previously reported  | 1 625 683          |
| VAT incorrectly not claimed on Syntell Commission paid   | (269 536)          |
| Effect up to 30 June 2018 - Refer to note 45.08  | (118 397)          |
| Effect during 2018/19 - Refer to note 45.09  | (151 138)          |
| Government Debt incorrectly impaired up to 30 June 2018 - Refer to note 45.08  | 15 150             |
| Government Debt incorrectly impaired during 2018/19 - Refer to note 45.09  | 510                |
| <b>Restated Balance on 30 June 2019</b>  | <b>1 371 806</b>   |
| <b>45.07 NON-CURRENT PROVISIONS</b>  |                    |
| Balance previously reported  | 21 032 450         |
| Inappropriate decommissioning dates allocated to landfill sites affecting both current values of provisions as well as capitalised asset values. | 26 190 257         |
| Effect on 30 June 2018 - Refer to note 45.08   | 25 175 275         |
| Effect on additions during 2018/19 - Refer to note 45.04   | (293 557)          |
| Effect on Statement of Financial Performance - Refer to note 45.09   | 1 308 539          |
| <b>Restated Balance on 30 June 2019</b>  | <b>47 222 707</b>  |
| <b>45.08 ACCUMULATED SURPLUS</b>   |                    |
| Balance previously reported  | 353 152 038        |
| Corrections relating to 2018/2019 - Refer to note 45.09  | (2 387 944)        |
| <b>Corrections up to 30 June 2018</b>  |                    |
| VAT incorrectly not claimed on Syntell Commission paid - Refer to note 45.06   | 118 397            |
| Inappropriate decommissioning dates allocated to landfill sites affecting both current values of provisions as well as capitalised asset values. | (25 262 406)       |
| Effect on Property Plant and Equipment - Refer to note 45.04   | (87 131)           |
| Effect on Non-Current Provisions - Refer to note 45.07   | (25 175 275)       |
| Recognise infrastructure relating to housing projects previously not recognised up to 30 June 2018 - Refer to note 45.04                         | 31 703 934         |
| Government Debt incorrectly impaired up to 30 June 2018  | 1 196 103          |
| Effect on Receivables from Exchange Transactions - Refer to note 45.01   | 342 432            |
| Effect on Receivables from Non-Exchange Transactions - Refer to note 45.02   | 868 821            |
| Effect on Taxes - Refer to note 45.06  | (15 150)           |
| <b>Restated Balance on 30 June 2019</b>  | <b>358 520 121</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

**B**

## 45

**Surplus previously reported**

44 379 140

VAT incorrectly not claimed on Syntell Commission paid - Refer to note 45.06

151 138

Recognise payables previously not recorded on 30 June 2019 - Refer to note 45.05

(16 972)

Inappropriate decommissioning dates allocated to landfill sites affecting both current values of provisions as well as capitalised asset values.

(2 094 923)

Effect on Depreciation - Refer to note 45.04

(786 384)

Effect on Finance Charges - Refer to note 45.07

{1 855 227}

Effect on Other Revenue - Refer to note 45.07

546 688

Recognise depreciation relating to housing projects previously not recognised during 2018/19 - Refer to note 45.04

{678 027}

**Government Debt incorrectly impaired during 2018/19**

250 840

**Effect on Receivables from Exchange Transactions - Refer to note 45.01**

17 621

**Effect on Receivables from Non-Exchange Transactions - Refer to note 45.02**

233 729

**Effect on Taxes - Refer to note 45.06**

(510)

Agency Fees incorrectly included in Licences and Permits (Temporary and Special Licences and Duplicate Vehicle Registrations)

### Effect on Licences and Permits

(88 940)

### Effect on Agency services

88 940

### Consumables incorrectly included as part of IT contracted services

•

### Effect on Contracted Services

27 019

### Effect on Other Expenditure

(27 019)

### Maintenance materials incorrectly included as part of Contracted Services

1

### Effect on Contracted Services

1 999 744

### Effect on Other Expenditure

(1 999 744)

**Restated Surplus on 30 June 2019**

41 991 196

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### NET CASH FROM OPERATING ACTIVITIES

Net Surplus for the year

Adjusted for:

Non-Cash Revenue

Actuarial Gains

Gain on Disposal of PPE

Decrease in Landfill Site Provision

Contributed Assets

Non-Cash Expenditure

Debt Impairment

Depreciation and Amortisation

Impairments

Actuarial losses

Finance Charges

Loss on disposal of PPE

Contributions - Provisions and Employee Benefits

Post Retirement Medical Benefits

Long Service Awards

Performance Bonuses

Bonuses

Staff Leave

Expenditure - Provisions and Employee Benefits

Post Retirement Medical Benefits

Long Service Awards

Performance Bonuses

Bonuses

Staff Leave

Other adjustments

Bad Debts Written Off

Movement on Operating Lease Asset

Movement on Operating Lease Liability

Operating Surplus before changes in working capital

Movement in working capital

Receivables (Exchange and Non-Exchange)

Inventory

Payables from exchange transactions

Unspent Conditional Government Grants

Unspent Public Contributions

Taxes

Cash Flow from Operating Activities

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| Net Surplus for the year                            | 28 363 059        | 41 991 196        |
| Adjusted for:                                       |                   |                   |
| Non-Cash Revenue                                    | (15 310 274)      | (20 762 663)      |
| Actuarial Gains                                     | (8 209 234)       | (14 548 917)      |
| Gain on Disposal of PPE                             | (5 053 906)       | (5 374 242)       |
| Decrease in Landfill Site Provision                 | -                 | (839 504)         |
| Contributed Assets                                  | (2 047 134)       | -                 |
| Non-Cash Expenditure                                | 43 295 474        | 46 093 114        |
| Debt Impairment                                     | 19 860 753        | 23 471 071        |
| Depreciation and Amortisation                       | 15 202 929        | 13 604 848        |
| Impairments   | 4 387             | -                 |
| Actuarial losses                                    | 65 921            | -                 |
| Finance Charges                                     | 7 763 721         | 8 848 485         |
| Loss on disposal of PPE                             | 397 763           | 168 710           |
| Contributions - Provisions and Employee Benefits    | 12 380 892        | 10 941 306        |
| Post Retirement Medical Benefits                    | 1 715 541         | 2 509 799         |
| Long Service Awards                                 | 563 265           | 600 449           |
| Performance Bonuses                                 | 486 308           | 223 199           |
| Bonuses   | 6 820 472         | 6 307 389         |
| Staff Leave   | 2 795 306         | 1 300 470         |
| Expenditure - Provisions and Employee Benefits      | (9 385 606)       | (8 734 301)       |
| Post Retirement Medical Benefits                    | (1 084 792)       | (1 097 604)       |
| Long Service Awards                                 | (630 936)         | (621 122)         |
| Performance Bonuses                                 | (352 305)         | (225 742)         |
| Bonuses   | (6 548 377)       | (6 117 357)       |
| Staff Leave   | (769 196)         | (672 476)         |
| Other adjustments                                   | (18 614 889)      | (13 629 185)      |
| Bad Debts Written Off                               | (18 611 000)      | (13 618 316)      |
| Movement on Operating Lease Asset                   | (6 391)           | (25 543)          |
| Movement on Operating Lease Liability               | 2 502             | 14 675            |
| Operating Surplus before changes in working capital | 40 728 656        | 55 899 467        |
| Movement in working capital                         | (9 672 902)       | (384 144)         |
| Receivables (Exchange and Non-Exchange)             | (10 392 678)      | (9 351 756)       |
| Inventory   | (274 402)         | (354 437)         |
| Payables from exchange transactions                 | 2 987 187         | 7 844 265         |
| Unspent Conditional Government Grants               | (778 741)         | 670 256           |
| Unspent Public Contributions                        | 28 481            | 11 567            |
| Taxes   | (1 242 750)       | 795 961           |
| Cash Flow from Operating Activities                 | <u>31 055 754</u> | <u>55 515 323</u> |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020 are presented in accordance with the requirements of the National Treasury Regulations for the year ending 30 June 2020.

|  | 2020<br>R         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>47 CASH AND CASH EQUIVALENTS</b>                      |                   |                   |
| Cash and Cash Equivalents comprise out of the following: |                   |                   |
| Primary Bank Account                                     | 49 235 916        | 25 468 502        |
| Call and Notice Deposits                                 | 23 789 000        | 58 254 000        |
| Cash Floats  | 16 368            | 16 368            |
| <b>Total</b>   | <b>73 041 284</b> | <b>83 738 870</b> |

Refer to note 2 for more details relating to cash and cash equivalents.

### 48 BUDGET COMPARISONS

#### 48.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

#### Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

#### Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items as well as the items highlighted in the reasons for deviations:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Insurance Receipts.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial Statements for the Year Ending 30 June 2020

### 48 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure and Materials and Actuarial Losses.

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

### 48.2 MATERIAL VARIANCES

#### Statement of financial position - Budget Adjustments

|                                  |  |
|----------------------------------|--|
| Cash and Call Investments        | As a result of conservative budget assumptions and projected revenue and expenditure trends the municipality had to review and align its cash budget accordingly to be more in line with realistic anticipated actual cash projections towards financial year end. |
| Property, Plant And Equipment    | Adjustment budget due to the impact on COVID 19 relating to capital expenditure and the delay with MIG approval i.r.o Water Waste Treatment Plant. Alignment to prior year audited results.  |
| Trade and Other Payables         | Adjust payables in line with revised and projected expenditure trends and assumptions relating to period of payment days.  |
| Provisions and Employee Benefits | Downward adjustment in line with prior year results. Downward adjustment due to discounting of non-current provisions.   |
| Accumulated Surplus              | Align budget to prior year audited figures and incorporated revises budgeted revenue and expenditure.  |
| Reserves                         | Adjustment based on the prior year actual results and projected cash levels to support the reserve balance.  |

#### Statement of financial position - Budget versus Actual

|                           |   |
|---------------------------|---|
| Cash and Call Investments | Financial year end cash & Investment outcome slightly higher than anticipated i.r.o projected expenditure trends due to the impact of the COVID 19 lockdown regulations and main focus on essential services with lower anticipated expenditure patterns despite downward trend on revenue collection patterns. |
| Consumer Debtors          | Deviation mainly as a result of the COVID 19 pandemic and the negative impact on revenue collection patterns due to job losses and other economic activity constraints - increased impairment.  |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### BUDGET COMPARISONS (CONTINUED)

|                                  |   |
|----------------------------------|---|
| Other Receivables                | Significant asset sale debtors outstanding on 30 June 2020 not anticipated during budget compilation.   |
| Property, Plant And Equipment    | Increase mainly due to completes housing project (Infrastructure) previously not recorded on 30 June 2018 - R 31 million. Increase slightly offset by increase in depreciation. |
| Trade and Other Payables         | Actual expenditure trends lower than expected during compilation of budget.   |
| Provisions and Employee Benefits | Increase mainly due to restatement of non-current provisions due to inappropriate closure dates used to determine discounted current values of rehabilitation provisions.       |
| Accumulated Surplus              | Variance due to significant higher surplus for the year compared to budget projection.  |

### Statement of financial performance - Budget Adjustments

|                                       |   |
|---------------------------------------|---|
| Service Charges - Electricity Revenue | Estimates during budget compilation indicated higher than expected electricity sales.   |
| Bulk Purchases                        | Estimates during budget compilation indicated lower than expected electricity purchases, supported by various energy saving initiatives implemented in recent year. |
| Contracted Services                   | Reduction due to expenditure (Energy Efficiency and Demand-side) reallocated to capital budget.   |
| Other Expenditure and Materials       | Increase mainly due to additional allocation received from department of Human Settlements  |

### Statement of financial performance - Budget versus Actual

|  |   |
|--|---|
| Service Charges - Electricity Revenue  | Loss of revenue due to limited economic activity through the COVID 19 Lockdown period i.e. bulk Industrial and business consumers   |
| Rental Of Facilities and Equipment     | Difference due to Camping fees being budgeted for as part of Other Revenue in terms of NT Classification, while accurately accounted for as part of Rental and Facilities and Equipment (R 6.3 million) |
| Interest Earned - External Investments | Increase investment interest due to higher than expected in cash reserves   |
| Transfers Recognised - Operational     | Variance mainly due to housing grant budgeted in terms of the Provincial Dora received while accounting treatment of housing function is based on the agency bases.                                     |
| Other Revenue                          | Variance mainly due to actuarial gain realised which was not anticipated during budget compilation.   |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

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### BUDGET COMPARISONS (CONTINUED)

|                                 |  |
|---------------------------------|--|
| Debt Impairment                 | Deviation mainly as a result of the COVID 19 pandemic and the negative impact on revenue collection patterns due to job losses and other economic activity constraints - increased impairment.         |
| Depreciation & Asset Impairment | Depreciation higher due to increase in capitalised restoration cost (restatement) as well as significant housing infrastructure previously not recorded on 30 June 2018.                               |
| Bulk Purchases                  | Expectation developed during budget compilation did not materialise towards year-end resulting in over expenditure of budget.  |
| Contracted Services             | Expenditure on contracted services (specifically on maintenance) higher than anticipated during budget process where more maintenance was expected to be performed in-house.                           |
| Other Expenditure and Materials | Variance mainly due to housing grant budgeted in terms of the Provincial Dora received while accounting treatment of housing function is based on the agency bases. Also refer to contracted services. |

### Cash Flow Statement - Budget Adjustments

|                                  |  |
|----------------------------------|--|
| Government - Capital             | Increase mainly the result of new capital grant allocations.   |
| Suppliers and Employees          | Reduction due to expenditure (Energy Efficiency and Demand-side) reallocated to capital budget.  |
| Capital Assets                   | Due to anticipated savings and capital projects not to complete due to impact of COVID 19  |
| New Loans Raised                 | Audited unspent loans on 30 June 2019 were indicative that new external loans were not required during 2019/20 to fund proposed program from external funding. |
| Cash Opening and Closing Balance | Align opening balance to audited results on 30 June 2019   |

### Cash Flow Statement - Budget versus Actual

|                         |   |
|-------------------------|---|
| Property Rates          | Variance mainly due to higher than expected revenue raised compared to the budget allocations provided for.   |
| Service Charges         | Recovery rate lower than expected combined with lower than expected revenue raised.   |
| Government - Operating  | Variance mainly due to housing grant budgeted in terms of the Provincial Dora received while accounting treatment of housing function is based on the agency bases. |
| Suppliers and Employees | Variance mainly due to housing grant budgeted in terms of the Provincial Dora received while accounting treatment of housing function is based on the agency basis. |
| Cash Closing Balance    | Conservative budgeting resulting in higher than anticipated cash reserves as at 30 June 2020.   |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|   | 2020<br>R         | 2019<br>R        |
|---|-------------------|------------------|
| <b>49 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b> |                   |                  |
| <b>49.1 UNAUTHORISED EXPENDITURE</b>                                  |                   |                  |
| Unauthorised expenditure consist out of the following:                |                   |                  |
| Opening balance   | 3 145 970         | 2 873 761        |
| Unauthorised expenditure current year - operating                     | 8 908 624         | -                |
| Unauthorised expenditure current year - capital                       | 1 926 938         | 3 145 970        |
| Approved by Council   | (3 145 970)       | (2 873 761)      |
| <b>Unauthorised expenditure awaiting approval</b>                     | <b>10 835 562</b> | <b>3 145 970</b> |

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

|   | 2020<br>(Actual)<br>R | 2020<br>(Final Budget)<br>■ | 2020<br>(Unauthorised)<br>■ |
|---|-----------------------|-----------------------------|-----------------------------|
| <b>Unauthorised expenditure - Operating</b> |                       |                             |                             |
| Engineering Services                        | 183 479 573           | 174 570 949                 | 8 908 624                   |
| Executive and Council                       | 46 595 508            | 48 988 674                  | -                           |
| Financial Services & ICT                    | 60 375 194            | 62 679 026                  | -                           |
| Management Services                         | 52 572 092            | 107 516 860                 | -                           |
| <b>Total</b>                                | <b>343 022 367</b>    | <b>393 755 509</b>          | <b>■ 908 624</b>            |

The unauthorised operating expenditure can be attributed to a bulk purchases and debt impairment where budget was not sufficient to cover actual costs.

### Unauthorised expenditure - Capital

|                          |                   |                   |                  |
|--------------------------|-------------------|-------------------|------------------|
| Engineering Services     | 30 589 755        | 32 065 708        | -                |
| Executive and Council    | 3 977 089         | 4 347 500         | -                |
| Financial Services & ICT | 4 907 738         | 2 980 800         | 1 926 938        |
| Management Services      | 3 571 554         | 3 889 031         | -                |
| <b>Total</b>             | <b>43 046 136</b> | <b>43 283 039</b> | <b>1 926 938</b> |

The unauthorised capital expenditure can be attributed to a donated/contributed asset which were not budgeted for.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
| 49 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE |           |           |

### 49.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

|   |               |               |
|---|---------------|---------------|
| Opening balance   | 38 000        | 107 870       |
| Fruitless and wasteful expenditure incurred                 | -             | 38 000        |
| Approved by Council   | (13 000)      | (107 870)     |
| <b>Fruitless and wasteful expenditure awaiting approval</b> | <b>25 000</b> | <b>38 000</b> |

Details of Fruitless and wasteful expenditure incurred :

|  |          |               |
|--|----------|---------------|
| Pre-payment before services provided               | -        | 25 000        |
| Request for Donation - payment duplicated          | -        | 3 000         |
| Incorrect supplier payment - Recovered in May 2019 | -        | 10 000        |
| <b>Total</b>                                       | <b>-</b> | <b>38 000</b> |

The fruitless and wasteful expenditure has been referred to the internal audit for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred which be subject the outcome of the investigation report.

### 49.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

|  |                  |                  |
|--|------------------|------------------|
| Opening balance                                | 5 980 657        | 1 838 938        |
| Irregular expenditure incurred                 | 3 402 459        | 4 392 427        |
| Approved by Council                            | (5 980 657)      | (250 708)        |
| <b>Irregular expenditure awaiting approval</b> | <b>3 402 459</b> | <b>5 980 657</b> |

Details of Irregular expenditure incurred :

|   |                  |                  |
|---|------------------|------------------|
| Non-compliance i.r.o SCM procurement processes        | -                | 2 160            |
| Doing business without a valid contract (Real People) | -                | 128 184          |
| Regulation 32 Contracts                               | 3 402 459        | 4 262 083        |
| <b>Total</b>  | <b>3 402 459</b> | <b>4 392 427</b> |

All irregular expenditure incurred in the current year relates to Regulation 32 awards entered into in prior years.

The irregular expenditure has been referred to internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred which be subject the outcome of the investigation.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1. The following information is provided in terms of the requirements of the MFMA and the MSA.

### 49 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

|  | 2020       | 2019       |
|--|------------|------------|
| <b>49.4 MATERIAL LOSSES</b>            |            |            |
| <b>Electricity distribution losses</b> |            |            |
| - Units purchased (Kwh)                | 73 267 305 | 76 293 217 |
| - Units lost during distribution (Kwh) | 3 695 121  | 4 956 856  |
| - Percentage lost during distribution  | 5.04%      | 6.50%      |
| - Rand Value of Loss                   | 3 140 853  | 3 668 073  |
| <b>Water distribution losses</b>       |            |            |
| - Kilo litres purified                 | 2 709 734  | 2 950 603  |
| - Kilo litres lost during distribution | 501 606    | 357 786    |
| - Percentage lost during distribution  | 18.51%     | 12.13%     |
| - Rand Value of Loss                   | 1 389 449  | 801 441    |

The increase in water losses can mainly be attributed to the water problems experienced in Struisbaai during December 2019 with the bleeding of the water pipe lines in order to get rid of the air in the water network system as well as increasing pipe burst due to old infrastructure (such as bulk meters / network repairs) which be in process of replacement.

### 50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 50.1 Salga Contributions [MFMA 125 (1)(b)]

|                            | 2020<br>R          | 2019<br>R          |
|----------------------------|--------------------|--------------------|
| Opening balance            | (1 247 787)        | (1 179 159)        |
| Expenditure incurred       | 1 305 721          | 1 179 159          |
| Payments                   | (1 449 987)        | (1 247 787)        |
| <b>Payments in advance</b> | <b>(1 392 053)</b> | <b>(1 247 787)</b> |

#### 50.2 Audit Fees [MFMA 125 (1)(c)]

|                                  | 2020        | 2019        |
|----------------------------------|-------------|-------------|
| Opening balance                  | -           | -           |
| Expenditure incurred             | 3 343 187   | 3 230 681   |
| External Audit - Auditor-General | 3 257 511   | 3 119 129   |
| Audit Committee                  | 85 676      | 111 552     |
| Payments                         | (3 343 187) | (3 230 681) |
| <b>Outstanding Balance</b>       | <b>-</b>    | <b>-</b>    |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

|  | 2020<br>R        | 2019<br>R          |
|--|------------------|--------------------|
| <b>50.3 VAT [MFMA 125 (1)(c)]</b>                      |                  |                    |
| Opening balance  | (1 359 289)      | 138 965            |
| Amounts received during the year                       | (365 755)        | (2 077 740)        |
| Amounts paid during the year                           | 5 857 227        | 5 043 560          |
| Output VAT Payable                                     | (28 379 996)     | (29 609 353)       |
| Input VAT Claimable                                    | 24 462 923       | 25 145 279         |
| <b>Outstanding Balance</b>                             | <b>215 111</b>   | <b>(1 359 289)</b> |
| <b>Vat in suspense due to cash basis of accounting</b> | <b>(344 167)</b> | <b>(12 517)</b>    |

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

### 50.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

|                            |              |              |
|----------------------------|--------------|--------------|
| Payments due to SARS       | 21 269 892   | 18 964 725   |
| Payments                   | (21 269 892) | (18 964 725) |
| <b>Outstanding Balance</b> | <b>-</b>     | <b>-</b>     |

### 50.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]

|  |              |              |
|--|--------------|--------------|
| Payments due to pension fund and medical aid | 30 389 285   | 28 015 028   |
| Payments                                     | (30 389 285) | (28 015 028) |
| <b>Outstanding Balance</b>                   | <b>-</b>     | <b>-</b>     |

### 50.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillor were in arrears for more than 90 days during the relevant financial year:

|                      |                       |       |       |
|----------------------|-----------------------|-------|-------|
| Councillor D Europa  | February - April 2020 | 2 209 | -     |
| Councillor T Zukiswa | Jul - Sept 2018       | -     | 3 291 |
| Councillor D Europa  | Oct - Dec 2018        | -     | 2 342 |
| Councillor D Europa  | March - June 2019     | -     | 3 345 |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

|                                                                                                           | 2020<br>R        | 2019<br>R        |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>50.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM</b>                                                      |                  |                  |
| Approved deviations from Supply Chain Management Regulations were identified on the following categories: |                  |                  |
| <b>Emergency (SCM 36 (1) (a) (i)):</b>                                                                    |                  |                  |
| Less than R 30 000                                                                                        | 45 337           | 12 046           |
| Between R 30 000 and R 200 000                                                                            | 363 266          | 568 603          |
| More than R 200 000                                                                                       | 1 853 670        | -                |
| <b>Total</b>                                                                                              | <b>2 262 273</b> | <b>580 650</b>   |
| <b>Sole Provider (SCM 36 (1) (a) (ii)):</b>                                                               |                  |                  |
| Less than R 30 000                                                                                        | 48 724           | 300 593          |
| Between R 30 000 and R 200 000                                                                            | -                | 576 755          |
| More than R 200 000                                                                                       | -                | 287 500          |
| <b>Total</b>                                                                                              | <b>48 724</b>    | <b>1 164 847</b> |
| <b>Impractical or Impossible (SCM 36 (1) (a) (v)):</b>                                                    |                  |                  |
| Less than R 30 000                                                                                        | 214 025          | 269 998          |
| Between R 30 000 and R 200 000                                                                            | 752 849          | 689 279          |
| <b>Total</b>                                                                                              | <b>966 874</b>   | <b>959 276</b>   |
| <b>Total Deviations</b>                                                                                   |                  |                  |
| Less than R 30 000                                                                                        | 308 086          | 582 636          |
| Between R 30 000 and R 200 000                                                                            | 1 116 115        | 1 834 637        |
| More than R 200 000                                                                                       | 1 853 670        | 287 500          |
| <b>Total</b>                                                                                              | <b>3 277 871</b> | <b>2 704 773</b> |

### 50.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

None

### 50.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44)

None

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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|    |                                                                                                                                                    | 2020<br>R         | 2019<br>R         |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| 50 | <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>                                                             |                   |                   |
|    | During the year under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45) |                   |                   |
|    | <u>Name (State institution)</u> <u>Supplier name</u>                                                                                               |                   |                   |
|    | TL Du Toit (Department of Health)      Cape Agulhas Civils                                                                                         | 4 435 161         | 2 781 960         |
|    | N Eksteen (Shareholder in      Canfred Computers T/A                                                                                               |                   |                   |
|    | Premium Computers & Stationers      Premium Computers &                                                                                            |                   |                   |
|    | and in service of Denel)      Stationers                                                                                                           | 18 545            | 45 367            |
|    | V Zeeman (Spouse of owner is      DC Zeeman t/a                                                                                                    |                   |                   |
|    | employed by Overberg District      Aluminium Design                                                                                                | 113 987           | 157 385           |
|    | Municipality)      ikapa Reticulation &                                                                                                            |                   |                   |
|    | Spouse of Director is employed by      Flow                                                                                                        | 564 404           | 652 265           |
|    | Western Cape Education      Department                                                                                                             |                   |                   |
|    | JN du Toit (Spouse of Director      Kemanzi (Pty) Ltd                                                                                              | -                 | 53 911            |
|    | employed by the City of Cape      Democratic Packaging                                                                                             |                   |                   |
|    | Spouse of Director - V van der      CC                                                                                                             | 194 948           | 227 815           |
|    | Heever is a teacher Western Cape      Education Department                                                                                         |                   |                   |
|    | Nadira Andhee wife of Ujush      Piston Power Chemicals                                                                                            |                   |                   |
|    | Andhee (Director) is employed as      CC                                                                                                           |                   |                   |
|    | an Educator in KZN.                                                                                                                                | 23 699            | 98 068            |
|    | <b>Total</b>                                                                                                                                       | <b>5 350 744</b>  | <b>4 016 770</b>  |
| 51 | <b>CAPITAL COMMITMENTS</b>                                                                                                                         |                   |                   |
|    | <b>Commitments in respect of Capital Expenditure:</b>                                                                                              | <b>37 247 167</b> | <b>14 196 493</b> |
|    | Approved and contracted for:                                                                                                                       |                   |                   |
|    | Upgrade of Wastewater Treatment Works -      Bredasdorp                                                                                            | 30 207 839        | -                 |
|    | Construction of Water & Roads Services Industrial      Area - Struisbaai                                                                           | 840 523           | -                 |
|    | Supply & Delivery of Wheelie Bins                                                                                                                  | -                 | 1 189 350         |
|    | Upgrading of RDP roads: Bredasdorp                                                                                                                 | -                 | 1 798 893         |
|    | Reseal of roads: Bredasdorp                                                                                                                        | -                 | 280 794           |
|    | Supply & Delivery of Shipping Containers                                                                                                           | -                 | 1 655 539         |
|    | Equipping of Boreholes: Napier & Suiderstrand                                                                                                      | -                 | 457 298           |
|    | Multi Access Network, Services & Component                                                                                                         | 6 198 805         | 8 814 618         |
|    | <b>Total</b>                                                                                                                                       | <b>37 247 167</b> | <b>14 196 493</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Financial statements for the year ending 30 June 2020

|                                           | 2020<br>R         | 2019<br>■         |
|-------------------------------------------|-------------------|-------------------|
| <b>51 CAPITAL COMMITMENTS (CONTINUED)</b> |                   |                   |
| This expenditure will be financed from:   |                   |                   |
| Internal Funding - CRR                    | 6 198 805         | 10 208 249        |
| External Loans                            | 26 568 989        | 1 189 350         |
| Government Grants                         | 4 479 373         | 2 798 893         |
| <b>Total</b>                              | <b>37 247 167</b> | <b>14 196 493</b> |

## 52 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

### 52.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

|                                                            | 2020<br>■          | 2019<br>R          |
|------------------------------------------------------------|--------------------|--------------------|
| The following financial assets are exposed to credit risk: |                    |                    |
| Cash and Cash Equivalents                                  | 73 024 916         | 83 722 502         |
| Receivables from exchange transactions                     | 35 973 677         | 25 419 714         |
| Receivables from non-exchange transactions                 | 175 618            | 175 618            |
| Current Portion of Long-term Receivables                   | 2 566              | 7 681              |
| Long-Term Receivables                                      | 160 569            | 184 455            |
| <b>Total</b>                                               | <b>109 337 345</b> | <b>109 509 970</b> |

There were no changes in the in the approach how credit risk is managed during the period under review.

### Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held, no cash were pledged as security and no collateral is held for any cash and cash equivalents, other than the following:

- Guarantees in favour of the following third parties - Post Office - R 50 000 (2019 - ■ 50 000)

Also refer to deposit linked to an Eskom Guarantee included in note 2

Credit risk is further managed and guided by the Cash Management and Investment Policy.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 52 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are past due, but not impaired:

|                | 2020<br>R         | 2019<br>R        |
|----------------|-------------------|------------------|
| Electricity    | 4 089 095         | 2 271 720        |
| Water          | 2 102 578         | 1 250 609        |
| Refuse         | 1 604 896         | 989 774          |
| Sewerage       | 1 124 928         | 672 981          |
| Other Services | 1 342 664         | 2 046 106        |
| <b>Total</b>   | <b>10 264 161</b> | <b>7 231 190</b> |

These receivables can be aged as follows:

|                     |                   |                  |
|---------------------|-------------------|------------------|
| 1 Month Past due    | 5 144 629         | 3 661 580        |
| 2 Months Past due   | 2 490 154         | 1 858 172        |
| 3 Months Past due   | 1 908 927         | 1 363 383        |
| > 3 Months Past due | 720 450           | 348 055          |
| <b>Total</b>        | <b>10 264 161</b> | <b>7 231 190</b> |

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 52 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

Refer to note 6 for more detail regarding long term receivables, included debt impairment raised against outstanding gross balances.

#### 52.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the municipality is not directly exposed to any currency risk.

#### 52.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

|                                                                   | 2020<br>R         | 2019<br>R         |
|-------------------------------------------------------------------|-------------------|-------------------|
| The following balances are exposed to interest rate fluctuations: |                   |                   |
| Cash and Cash Equivalents (Excluding Cash on Hand)                | 73 024 916        | 83 722 502        |
| Long-term Liabilities (Including Current Portion)                 | (26 790 115)      | (32 752 801)      |
| <b>Net balance exposed</b>                                        | <b>46 234 800</b> | <b>50 969 701</b> |

Provisions (Current and Non-Current) amounting to R 21 032 450 were removed from the disclosure as it does not meet the definition of a financial instrument. The effect were also incorporated in the disclosure below.

Potential effect of changes in interest rates on surplus and deficit for the year:

|                                               |           |           |
|-----------------------------------------------|-----------|-----------|
| 0.5% (2019 - 0.5%) increase in interest rates | 231 174   | 254 849   |
| 0.5% (2019 - 1%) decrease in interest rates   | (231 174) | (509 697) |

A slowdown in Local and International economic activity (due to the COVID 19 pandemic) have prompted the Reserve Bank to cut interest rates during the financial year to support the economy. Management does not foresee significant interest rate movements during the next 12 months.



# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Notes to the Financial Statements for the Year Ending 30 June 2020

### 52 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 52.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

| 30 JUNE 2020                        | PAYABLE           |                   |                   |
|-------------------------------------|-------------------|-------------------|-------------------|
|                                     | Within 1 Year     | Two to five years | After five years  |
| Annuity Loans                       | 8 525 487         | 19 376 510        | 8 345 535         |
| Payables from exchange transactions | 32 985 703        | -                 | -                 |
| <b>Total</b>                        | <b>41 511 189</b> | <b>19 376 510</b> | <b>■ 345 535</b>  |
|                                     |                   |                   |                   |
| 30 JUNE 2019                        | PAYABLE           |                   |                   |
|                                     | Within 1 Year     | Two to five years | After five years  |
| Annuity Loans                       | 9 058 813         | 24 875 210        | 11 372 322        |
| Payables from exchange transactions | 30 287 328        | -                 | -                 |
| <b>Total</b>                        | <b>39 346 140</b> | <b>24 875 210</b> | <b>11 372 322</b> |

The liquidity risk is further managed and guided by the Liquidity Policy.

There were no changes to the exposure to liquidity risk and how the risk is managed during the period under review.

Rehabilitation Provisions, Unspent Conditional Government Grants and Unspent Public Contributions were removed from the disclosure as it does not meet the definition of a financial instrument. Payables relating to the department of housing were included in the disclosure as there is a contractual arrangements relating to the finds received.

**CAPE AGULHAS LOCAL MUNICIPALITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

## 52 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 52.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality is not exposed to any other price risk.

|                                                                                                                  | 2020               | 2019               |
|------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                  | R                  | R                  |
| <b>53 FINANCIAL INSTRUMENTS</b>                                                                                  |                    |                    |
| The municipality recognised the following financial instruments (All balances are recognised at amortised cost.) |                    |                    |
| <u>Financial Assets</u>                                                                                          |                    |                    |
| Cash and Cash Equivalents                                                                                        | 73 041 284         | 83 738 870         |
| Receivables from exchange transactions                                                                           | 34 581 623         | 24 171 927         |
| Receivables from non-exchange transactions                                                                       | 175 618            | 175 618            |
| Current Portion of Long-term Receivables                                                                         | 2 566              | 7 681              |
| Long-Term Receivables                                                                                            | 160 569            | 184 455            |
| <b>Total</b>                                                                                                     | <b>107 961 660</b> | <b>108 278 551</b> |
| <u>Financial Liabilities</u>                                                                                     |                    |                    |
| Current Portion of Long-term Liabilities                                                                         | 6 027 216          | 5 962 686          |
| Payables from exchange transactions                                                                              | 32 985 703         | 30 287 328         |
| Long-term Liabilities                                                                                            | 20 762 900         | 26 790 115         |
| <b>Total</b>                                                                                                     | <b>59 775 818</b>  | <b>63 040 129</b>  |

## 54 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

### Receivables from Non-Exchange Transactions

|              |                  |                  |
|--------------|------------------|------------------|
| Rates        | 6 305 486        | 5 236 955        |
| Fines        | 1 899 412        | 3 710 844        |
| <b>Total</b> | <b>8 204 899</b> | <b>8 947 799</b> |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

|           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2020<br>R        | 2019<br>R        |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>54</b> | <b>STATUTORY RECEIVABLES (CONTINUED)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                  |                  |
|           | Statutory Receivables are disclosed after taking into account any impairments raised against gross amounts. Refer to note 4 for more detail relating to fines and rates receivables.                                                                                                                                                                                                                                                                                                                                                                                                                                 |                  |                  |
|           | Rates Receivable past due not impaired                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>■ 071 302</u> | <u>2 354 262</u> |
| <b>55</b> | <b>EVENTS AFTER REPORTING DATE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
|           | The national state of disaster has been extended until 15 November 2020. Refer to note 61 where the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.                                                                                                                                                                                                                                                                                                                             |                  |                  |
| <b>56</b> | <b>IN-KIND DONATIONS AND ASSISTANCE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                  |                  |
|           | <b>56.1</b> Refer to notes 23 and 24 for more detail regarding to public contributions and and other assistance/donated assets received.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                  |                  |
|           | <b>56.2</b> The municipality participate in the "ABSA Catalyx Youth Employment Service (YES)" programme with the overall aim to place one million youth into work over three years and concluded an agreement with ABSA to host 10 candidates from 1 December 2019 – 30 November 2020 to gain valuable work experienced by placing them in various departments. The youth are paid a stipend of R3700 per month by the programme sponsor ABSA. The service received in kind is not quantified in the records of the municipality as it is not considered significant compared to the operations of the municipality. |                  |                  |
|           | <b>56.3</b> The municipality received in-kind assistance from National Treasury relating to revenue enhancement support up to 30 June 2020. The service received in kind is not quantified in the records of the municipality as it is not considered significant compared to the operations of the municipality.                                                                                                                                                                                                                                                                                                    |                  |                  |
| <b>57</b> | <b>PRIVATE PUBLIC PARTNERSHIPS (PPP's)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                  |                  |
|           | The municipality did not enter into any PPP's in the current and prior year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                  |                  |
| <b>58</b> | <b>CONTINGENT LIABILITIES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                  |
|           | The municipality were exposed to the following contingent liabilities at year end:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
|           | <b>58.1</b> Guarantees in favour of the following third parties - Post Office - R 50 000 (2019 - R 50 000)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                  |                  |
| <b>59</b> | <b>B-BBEE PERFORMANCE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
|           | Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                  |                  |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The following notes are an integral part of the financial statements and should be read in conjunction with the financial statements.

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### RELATED PARTIES

Related parties are defined in note 1.35

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 33 and 34

The Cape Agulhas Municipality as the holding entity had a 100% shareholding in the Southernmost Development Agency (SOC) LTD. As the parent entity of the Agency, the municipality resolved during the 2012/13 financial year to de-register the company. Although the de-registration process is as yet not been finalised on 30 June 2018, the company does not have any assets or liabilities on the reporting dates under review (30 June 2016; 30 June 2017; 30 June 2018; 30 June 2019 and 30 June 2020). The process to de-register the company is considered to be an administrative matter to be finalised and no further financial activities have been conducted in the company on or beyond 30 June 2015. Due to the de-registration no consolidated financial statements are prepared for the financial year under review.

The following purchases were made during the year where Councillors, Management or Employees have an interest:

| Entity                                                        | Employee     | 2020<br>R      | 2019<br>R      |
|---------------------------------------------------------------|--------------|----------------|----------------|
| Adonai Funeral Home (Brother of D Fredericks)                 | D Fredericks | 40 000         | 20 000         |
| Diedericks Construction (Brother)                             | J Diedericks | 129 504        | 213 530        |
| Enid Benetha Marie Atkins (Catering - Dinner for Local Tours) | T Atkins     | -              | 2 600          |
| EE Spandiel (Catering & Refreshments)                         | H Spandiel   | 6 450          | 11 546         |
| <b>Total</b>                                                  |              | <b>175 954</b> | <b>247 675</b> |

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### IMPACT OF COVID-19 ON FINANCIAL SUSTAINABILITY

Cape Agulhas Local Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect that the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdowns levels.

Due to the fact the lockdown regulations were implemented relatively close to financial year-end (ie 26 March 2020), the potential negative effect on the the major operations, financial sustainability indicators and cashflows are not yet visible or significant on reporting date.

The Municipality incurred costs amounting to R 4 283 841 in the fight against the COVID-19 pandemic of which R798 000 was grant funded. The remaining expenditure was funded by the Public Contributions and Own Revenue Sources.

## CAPE AGULHAS LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

*The following table shows the reconciliation of the original budget to the final budget and the actual outcome for the year ending 30 June 2020.*

#### 62 NATIONAL TREASURY APPROPRIATION STATEMENT

|                                       | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|---------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>Financial Performance</b>          |                                 |                                    |                              |                                |                                 |                                  |
| Property rates                        | 69 193 000                      | -                                  | 69 193 000                   | 71 198 071                     | 2 005 071                       | 66 106 657                       |
| Service charges                       | 178 098 200                     | 5 976 200                          | 184 074 400                  | 182 496 443                    | (1 577 957)                     | 166 006 985                      |
| Investment revenue                    | 2 445 900                       | 754 900                            | 3 200 800                    | 6 282 982                      | ■ 082 182                       | 5 168 649                        |
| Transfers recognised - operational    | 98 669 913                      | 2 807 844                          | 101 477 757                  | 44 938 863                     | (56 538 894)                    | 41 189 131                       |
| Other own revenue                     | 33 107 700                      | 351 000                            | 33 458 700                   | 45 301 679                     | 11 842 979                      | 59 509 814                       |
| <b>Total Operating Revenue</b>        | <b>381 514 713</b>              | <b>9 ■■ 944</b>                    | <b>391 404 657</b>           | <b>350 218 038</b>             | <b>(41 186 619)</b>             | <b>337 981 236</b>               |
| Employee costs                        | 134 136 490                     | 1 920 040                          | 136 056 530                  | 137 733 576                    | 1 677 046                       | 125 207 668                      |
| Remuneration of councillors           | 5 763 700                       | -                                  | 5 763 700                    | 5 631 724                      | (131 976)                       | 5 441 248                        |
| Debt impairment                       | 11 267 458                      | -                                  | 11 267 458                   | 19 860 753                     | 8 593 295                       | 23 471 071                       |
| Depreciation & asset impairment       | 11 025 100                      | -                                  | 11 025 100                   | 15 207 316                     | 4 182 216                       | 13 604 848                       |
| Finance charges                       | 12 762 870                      | (1 696 646)                        | 11 066 224                   | 10 855 080                     | (211 144)                       | 10 704 907                       |
| Materials and bulk purchases          | 88 404 190                      | (4 010 000)                        | 84 394 190                   | 89 330 846                     | 4 936 656                       | 76 760 692                       |
| Transfers and grants                  | 2 025 900                       | 1 929 970                          | 3 955 870                    | 3 455 128                      | (500 742)                       | 580 970                          |
| Other expenditure                     | 128 948 810                     | 1 277 627                          | 130 226 437                  | 60 947 944                     | (69 278 493)                    | 60 900 993                       |
| <b>Total Expenditure</b>              | <b>394 334 518</b>              | <b>(579 009)</b>                   | <b>393 755 509</b>           | <b>343 022 367</b>             | <b>(50 733 142)</b>             | <b>316 672 396</b>               |
| <b>Surplus/(Deficit)</b>              | <b>(12 819 805)</b>             | <b>10 468 953</b>                  | <b>(2 350 852)</b>           | <b>7 195 671</b>               | <b>9 546 523</b>                | <b>21 308 839</b>                |
| Transfers recognised - capital        | 12 941 087                      | 6 826 ■■                           | 19 767 087                   | 19 120 254                     | (646 833)                       | 20 682 357                       |
| Contributed Assets                    | -                               | -                                  | -                            | 2 047 134                      | 2 047 134                       | -                                |
| <b>Surplus/(Deficit) for the year</b> | <b>121 282</b>                  | <b>17 294 953</b>                  | <b>17 416 235</b>            | <b>28 363 059</b>              | <b>10 946 824</b>               | <b>41 991 196</b>                |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 62 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

|                                                | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATE<br>OUTCOME<br>2019<br>R |
|------------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Capital expenditure &amp; funds sources</b> |                                 |                                    |                              |                                |                                 |                                 |
| Capital expenditure                            | 47 208 739                      | (3 925 700)                        | 43 283 039                   | 43 046 136                     | (236 903)                       | 36 952 156                      |
| Transfers recognised - capital                 | 12 941 087                      | 6 826 000                          | 19 767 087                   | 19 120 254                     | (646 833)                       | 20 682 357                      |
| Public contributions & donations               | -                               | -                                  | -                            | 2 047 134                      | 2 047 134                       | -                               |
| Borrowing                                      | 19 988 476                      | (10 339 500)                       | 9 648 976                    | 7 709 276                      | (1 939 700)                     | 6 623 301                       |
| Internally generated funds                     | 14 279 176                      | (412 200)                          | 13 866 976                   | 14 169 472                     | 302 496                         | 14 646 498                      |
| <b>Total sources of capital funds</b>          | <b>47 208 739</b>               | <b>(3 925 700)</b>                 | <b>43 283 039</b>            | <b>43 046 136</b>              | <b>(236 903)</b>                | <b>36 952 156</b>               |
| <b>Cash flows</b>                              |                                 |                                    |                              |                                |                                 |                                 |
| Net cash from (used) operating                 | 12 171 535                      | 11 193 156                         | 23 364 692                   | 31 055 754                     | 7 691 062                       | 55 515 323                      |
| Net cash from (used) investing                 | (42 201 491)                    | 3 926 133                          | (38 275 358)                 | (36 121 703)                   | 2 153 655                       | (33 227 633)                    |
| Net cash from (used) financing                 | 11 819 900                      | (16 941 842)                       | (5 121 943)                  | (5 631 637)                    | (509 694)                       | 13 682 869                      |
| <b>Net Cash Movement for the year</b>          | <b>(18 210 056)</b>             | <b>(1 822 553)</b>                 | <b>(20 032 609)</b>          | <b>(10 697 585)</b>            | <b>9 335 023</b>                | <b>35 970 559</b>               |
| Cash/cash equivalents at beginning of year     | 40 401 900                      | 43 336 970                         | 83 738 870                   | 83 738 870                     | -                               | 47 768 311                      |
| <b>Cash/cash equivalents at the year end</b>   | <b>22 191 844</b>               | <b>41 514 417</b>                  | <b>63 706 261</b>            | <b>73 041 285</b>              | <b>9 335 023</b>                | <b>63 738 869</b>               |

Refer to Appendix E for more detail relating to the National Treasury Appropriation Statements

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2020

| INSTITUTION                        | LOAN<br>NUMBER | RATE   | REDEMPTION<br>DATE | OPENING<br>BALANCE<br>1 JULY 2019<br>R | RECEIVED<br>DURING YEAR<br>R | REDEEMED<br>DURING YEAR<br>R | CLOSING<br>BALANCE<br>30 JUNE 2020<br>R |
|------------------------------------|----------------|--------|--------------------|----------------------------------------|------------------------------|------------------------------|-----------------------------------------|
| <b>ANNUITY LOANS</b>               |                |        |                    |                                        |                              |                              |                                         |
| ABSA                               | 3044713107     | 10.60% | 2026/06/30         | 965 383                                | -                            | (98 073)                     | 867 310                                 |
| ABSA                               | 88397067       | 10.60% | 2021/06/30         | 337 892                                | -                            | (160 313)                    | 177 578                                 |
| ABSA                               | 88399019       | 10.60% | 2021/06/30         | 148 256                                | -                            | (70 341)                     | 77 916                                  |
| ABSA                               | 88396435       | 10.60% | 2021/06/30         | 84 078                                 | -                            | (39 891)                     | 44 187                                  |
| ABSA                               | 88583065       | 10.60% | 2021/06/30         | 100 292                                | -                            | (47 584)                     | 52 708                                  |
| ABSA                               | 3046537820     | 9.84%  | 2027/06/30         | 2 083 567                              | -                            | (179 818)                    | 1 903 750                               |
| NEDBANK                            | Vehicle Fleet  | 9.20%  | 2021/06/30         | 3 333 333                              | -                            | (1 666 667)                  | 1 666 667                               |
| NEDBANK                            | INFRA 1        | 9.64%  | 2023/06/30         | 2 400 000                              | -                            | (600 000)                    | 1 800 000                               |
| NEDBANK                            | INFRA 2        | 10.35% | 2028/06/30         | 6 300 000                              | -                            | (700 000)                    | 5 600 000                               |
| NEDBANK                            | INFRA 3        | 9.92%  | 2029/06/30         | 10 000 000                             | -                            | (1 000 000)                  | 9 000 000                               |
| NEDBANK                            | INFRA 4        | 9.30%  | 2024/06/30         | 4 120 000                              | -                            | (824 000)                    | 3 296 000                               |
| NEDBANK                            | Asset Finance  | 9.30%  | 2024/06/30         | 2 880 000                              | -                            | (576 000)                    | 2 304 000                               |
| <b>Total Annuity Loans</b>         |                |        |                    | <b>32 752 801</b>                      | <b>-</b>                     | <b>(5 962 686)</b>           | <b>26 790 115</b>                       |
| <b>Total Long-Term Liabilities</b> |                |        |                    | <b>32 752 801</b>                      | <b>-</b>                     | <b>(5 962 686)</b>           | <b>26 790 115</b>                       |

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## CAPE AGULHAS LOCAL MUNICIPALITY

### APPENDIX ■ (UNAUDITED)

#### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2020

| VOTE                     | 30 JUNE 2020       |                      |                            | 30 JUNE 2019       |                      |                            |
|--------------------------|--------------------|----------------------|----------------------------|--------------------|----------------------|----------------------------|
|                          | REVENUE<br>R       | EXPENDITURE<br>■     | SURPLUS/<br>(DEFICIT)<br>R | REVENUE<br>R       | EXPENDITURE<br>R     | SURPLUS/<br>(DEFICIT)<br>R |
| Engineering Services     | 204 890 773        | (183 479 573)        | 21 411 200                 | 192 638 568        | (162 042 652)        | 30 595 916                 |
| Executive and Council    | 38 176 018         | (46 595 508)         | (8 419 489)                | 32 618 966         | (41 788 183)         | (9 169 218)                |
| Financial Services & ICT | 103 286 596        | (60 375 194)         | 42 911 401                 | 97 337 774         | (56 658 163)         | 40 679 611                 |
| Management Services      | 25 032 040         | (52 572 092)         | (27 540 053)               | 36 068 284         | (56 183 398)         | (20 115 114)               |
| <b>Total</b>             | <b>371 385 426</b> | <b>(343 022 367)</b> | <b>28 ■ ■ ■</b>            | <b>358 663 593</b> | <b>(316 672 396)</b> | <b>41 991 196</b>          |



## CAPE AGULHAS LOCAL MUNICIPALITY

### APPENDIX C (UNAUDITED)

#### ACTUAL VERSUS BUDGET- CAPITAL AND OPERATING EXPENDITURE (VOTES) FOR THE YEAR ENDING 30 JUNE 2020

|                              | ACTUAL<br>R        | BUDGET<br>R       | VARIANCE<br>R       | EXPLANATION FOR MATERIAL VARIANCES                                                                |
|------------------------------|--------------------|-------------------|---------------------|---------------------------------------------------------------------------------------------------|
| <b>OPERATING EXPENDITURE</b> |                    |                   |                     |                                                                                                   |
| Engineering Services         | 183 479 573        | 174 570 949       | 8 908 624           | Over Expenditure on Bulk Purchases and Debt Impairment                                            |
| Executive and Council        | 46 595 508         | 48 988 674        | (2 393 166)         | Variance immaterial                                                                               |
| Financial Services & ICT     | 60 375 194         | 62 679 026        | (2 303 832)         | Variance immaterial                                                                               |
| Management Services          | 52 572 092         | 107 516 860       | (54 944 768)        | Housing grant budgeted for in terms of DORA while treated on agency basis in financial statements |
| <b>Total</b>                 | <b>343 022 367</b> | <b>393 755</b>    | <b>(50 733 142)</b> |                                                                                                   |
| <b>CAPITAL EXPENDITURE</b>   |                    |                   |                     |                                                                                                   |
| Engineering Services         | 30 589 755         | 32 065 708        | (1 475 953)         | Variance immaterial                                                                               |
| Executive and Council        | 3 977 089          | 4 347 500         | (370 411)           | Variance immaterial                                                                               |
| Financial Services & ICT     | 4 907 738          | 2 980 800         | 1 926 938           | Variance immaterial                                                                               |
| Management Services          | 3 571 554          | 3 889 031         | (317 477)           | Variance immaterial                                                                               |
| <b>Total</b>                 | <b>43 046 136</b>  | <b>43 283 039</b> | <b>(236 903)</b>    |                                                                                                   |

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2020

|                                            | OPENING<br>BALANCE | GRANTS<br>RECEIVED | TRANSFERRED TO<br>REVENUE<br>(OPERATING) | TRANSFERRED TO<br>REVENUE<br>(CAPITAL) | TRANSFER TO/<br>(FROM)<br>RECEIVABLES | CLOSING<br>BALANCE |
|--------------------------------------------|--------------------|--------------------|------------------------------------------|----------------------------------------|---------------------------------------|--------------------|
|                                            | R                  | R                  | ■                                        | R                                      | ■                                     | R                  |
| <b>NATIONAL GOVERNMENT</b>                 |                    |                    |                                          |                                        |                                       |                    |
| Equitable Share                            | -                  | 29 908 000         | (29 908 000)                             | -                                      | -                                     | -                  |
| Financial Management Grant (FMG)           | -                  | 1 550 000          | (1 550 000)                              | -                                      | -                                     | -                  |
| Municipal Infrastructure Grant (MIG)       | -                  | 11 005 000         | (1 878 487)                              | (9 126 513)                            | -                                     | -                  |
| Skills Development Fund and SETA Bursaries | 208 872            | 476 976            | (680 322)                                | -                                      | -                                     | 5 526              |
| Energy Efficiency and Demand-side (EEDM)   | -                  | 6 000 000          | (840 000)                                | (5 160 000)                            | -                                     | -                  |
| Disaster Relief (COVID 19)                 | -                  | 298 000            | (298 000)                                | -                                      | -                                     | -                  |
| Expanded Public Works Program (EPWP)       | -                  | 1 740 000          | (1 740 000)                              | -                                      | -                                     | -                  |
| <b>Total</b>                               | <b>208 872</b>     | <b>50 977 976</b>  | <b>(36 809)</b>                          | <b>(14 286 513)</b>                    | <b>-</b>                              | <b>5 526</b>       |
| <b>PROVINCIAL GOVERNMENT</b>               |                    |                    |                                          |                                        |                                       |                    |
| Library Services                           | -                  | 6 003 000          | (6 003 000)                              | -                                      | -                                     | -                  |
| Internal Audit System (FMSG)               | 174 000            | -                  | -                                        | -                                      | -                                     | 174 000            |
| Smart City Project (FMSG)                  | -                  | 1 070 000          | (45)                                     | (1 069 955)                            | -                                     | -                  |
| mSCOA Support Grant (FMSG)                 | -                  | 330 000            | (330 000)                                | -                                      | -                                     | -                  |
| Graduate Bursary Scheme (FMSG)             | -                  | 380 000            | (380 000)                                | -                                      | -                                     | -                  |
| Bulk Meters (FMSG)                         | 500 000            | -                  | (66 057)                                 | (433 943)                              | -                                     | -                  |
| Drought Support Grant                      | -                  | 500 000            | (30 616)                                 | (469 384)                              | -                                     | -                  |
| Proclaimed Road Subsidy                    | -                  | 62 400             | (62 400)                                 | -                                      | -                                     | -                  |
| Community Development Workers (CDW)        | -                  | 112 000            | (20 450)                                 | -                                      | -                                     | 91 550             |
| Humanitarian Relief (COVID 19)             | -                  | 500 000            | (500 000)                                | -                                      | -                                     | -                  |
| RSEP - Informal Trading Area               | 42 844             | 1 200 000          | (242 844)                                | (1 000 000)                            | -                                     | -                  |
| RSEP - Taxi Rank Development Plan          | 145 000            | -                  | (145 000)                                | -                                      | -                                     | -                  |
| RSEP - Pedestrian Bridge (Ou Meuleweg)     | -                  | 800 000            | (97 434)                                 | (702 566)                              | -                                     | -                  |
| DEAT - LED Containers                      | -                  | 1 345 000          | (166 208)                                | (1 157 893)                            | -                                     | 20 899             |
| <b>Total</b>                               | <b>861 844</b>     | <b>12 302 400</b>  | <b>(8 044 054)</b>                       | <b>(4 833 741)</b>                     | <b>-</b>                              | <b>286 449</b>     |
| <b>ALL SPHERES GOVERNMENT</b>              | <b>1 070 716</b>   | <b>63 279 376</b>  | <b>(44 938 863)</b>                      | <b>(19 120 254)</b>                    | <b>-</b>                              | <b>291 975</b>     |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The following table shows the actual performance of the Municipality for the year ending 30 June 2020, compared to the original budget, the budgeted adjustments, the final budget, the actual outcome, the budget variance and the restated outcome.

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

|                                     | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|-------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>REVENUE</b>                      |                                 |                                    |                              |                                |                                 |                                  |
| Governance and administration       | 126 339 900                     | 3 000 000                          | 129 720 800                  | 149 591 062                    | 19 870 262                      | 142 278 959                      |
| Executive and council               | 29 939 500                      | 150 000                            | 30 089 500                   | 30 598 030                     | 508 530                         | 27 645 140                       |
| Finance and administration          | 96 400 400                      | 3 056 900                          | 99 457 300                   | 118 993 032                    | 19 535 732                      | 114 633 819                      |
| Internal audit                      | -                               | 174 000                            | 174 000                      | -                              | (174 000)                       | -                                |
| Community and public safety         | 76 338 600                      | 6 336 000                          | 82 674 600                   | 22 276 904                     | (60 397 696)                    | 34 058 601                       |
| Community and social services       | 6 653 000                       | 542 000                            | 7 195 000                    | 6 375 725                      | (819 275)                       | 5 588 374                        |
| Sport and recreation                | 7 328 600                       | 210 000                            | 7 538 600                    | 6 955 698                      | (582 902)                       | 7 676 862                        |
| Public safety                       | 11 655 000                      | -                                  | 11 655 000                   | 8 773 482                      | (2 881 518)                     | 17 711 891                       |
| Housing                             | 50 702 000                      | 5 584 000                          | 56 286 000                   | 172 000                        | (56 114 000)                    | 81 475                           |
| Economic and environmental services | 7 076 500                       | 1 537 844                          | 8 614 344                    | 8 061 722                      | (552 622)                       | 5 680 453                        |
| Planning and development            | 4 159 700                       | 1 537 844                          | 5 697 544                    | 5 353 323                      | (344 221)                       | 2 390 920                        |
| Road transport                      | 2 916 800                       | -                                  | 2 916 800                    | 2 708 399                      | (208 401)                       | 3 289 532                        |
| Trading services                    | 184 700 800                     | 5 461 200                          | 190 162 000                  | 191 455 739                    | 1 293 739                       | 176 645 580                      |
| Energy Sources                      | 126 860 400                     | 5 446 200                          | 132 306 600                  | 129 745 888                    | (2 560 712)                     | 118 269 269                      |
| Water Management                    | 28 707 100                      | (500 000)                          | 28 207 100                   | 28 710 049                     | 502 949                         | 26 842 278                       |
| Waste water management              | 11 335 000                      | 515 000                            | 11 850 000                   | 13 135 780                     | 1 285 780                       | 11 979 227                       |
| Waste management                    | 17 798 300                      | -                                  | 17 798 300                   | 19 864 022                     | 2 065 722                       | 19 554 807                       |
| <b>Total Revenue - Standard</b>     | <b>394 455 800</b>              | <b>16 715 944</b>                  | <b>411 171 744</b>           | <b>371 385 426</b>             | <b>(39 786 318)</b>             | <b>358 663 593</b>               |

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

|                                            | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATE<br>OUTCOME<br>2019<br>R |
|--------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>EXPENDITURE</b>                         |                                 |                                    |                              |                                |                                 |                                 |
| <b>Governance and administration</b>       | <b>104 514 836</b>              | <b>4 963 520</b>                   | <b>109 478 356</b>           | <b>104 887 663</b>             | <b>(4 590 693)</b>              | <b>97 097 680</b>               |
| Executive and council                      | 15 500 400                      | 2 055 070                          | 17 555 470                   | 16 375 410                     | (1 180 060)                     | 13 249 447                      |
| Finance and administration                 | 87 665 836                      | 2 700 450                          | 90 366 286                   | 87 234 711                     | (3 131 575)                     | 530 926                         |
| Internal audit                             | 1 348 600                       | 208 000                            | 1 556 600                    | 1 277 542                      | (279 059)                       | 1 317 307                       |
| <b>Community and public safety</b>         | <b>92 738 760</b>               | <b>6 152 760</b>                   | <b>98 891 520</b>            | <b>46 624 710</b>              | <b>(52 266 050)</b>             | <b>50 406 531</b>               |
| Community and social services              | 11 093 800                      | 337 900                            | 11 431 700                   | 13 356 631                     | 1 924 931                       | 13 002 831                      |
| Sport and recreation                       | 12 397 560                      | 126 600                            | 12 524 160                   | 12 383 816                     | (140 344)                       | 12 623 479                      |
| Public safety                              | 16 197 000                      | 318 700                            | 16 515 700                   | 18 343 464                     | 1 827 764                       | 22 763 560                      |
| Housing                                    | 53 050 400                      | 5 368 800                          | 58 419 200                   | 2 540 800                      | (55 878 400)                    | 2 016 661                       |
| <b>Economic and environmental services</b> | <b>31 239 500</b>               | <b>456 384</b>                     | <b>31 695 884</b>            | <b>30 880 688</b>              | <b>(815 196)</b>                | <b>27 644 800</b>               |
| Planning and development                   | 11 813 500                      | 353 644                            | 12 167 144                   | 10 106 672                     | (2 060 472)                     | 8 562 104                       |
| Road transport                             | 19 352 200                      | 102 740                            | 19 454 940                   | 20 750 235                     | 1 295 295                       | 18 898 956                      |
| Environmental protection                   | 73 800                          | -                                  | 73 800                       | 23 781                         | (50 019)                        | 183 740                         |
| <b>Trading services</b>                    | <b>164 063 922</b>              | <b>(12 252 913)</b>                | <b>151 811 009</b>           | <b>159 457 077</b>             | <b>7 646 068</b>                | <b>140 914 696</b>              |
| Energy Sources                             | 111 309 784                     | (10 198 540)                       | 101 111 244                  | 103 946 132                    | 2 834 888                       | 89 605 798                      |
| Water Management                           | 20 185 660                      | (222 712)                          | 19 962 948                   | 22 388 729                     | 2 425 781                       | 20 370 988                      |
| Waste water management                     | 11 878 376                      | 265 185                            | 12 143 561                   | 12 453 132                     | 309 571                         | 12 106 946                      |
| Waste management                           | 20 690 102                      | (2 096 846)                        | 18 593 256                   | 20 669 084                     | 2 075 828                       | 18 830 963                      |
| Other                                      | 1 777 500                       | 102 760                            | 1 880 260                    | 1 172 230                      | (708 030)                       | 608 688                         |
| <b>Total Expenditure - Standard</b>        | <b>394 334 518</b>              | <b>(579 009)</b>                   | <b>393 755 509</b>           | <b>343 022 367</b>             | <b>(50 733 142)</b>             | <b>316 672 396</b>              |
| <b>Surplus/(Deficit) for the year</b>      | <b>121 282</b>                  | <b>17 294 760</b>                  | <b>17 416 042</b>            | <b>363 059</b>                 | <b>10 946 824</b>               | <b>41 991 196</b>               |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

|                                       | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|---------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>REVENUE</b>                        |                                 |                                    |                              |                                |                                 |                                  |
| Executive and Council                 | 34 902 700                      | 2 671 844                          | 37 574 544                   | 38 176 018                     | 601 474                         | 32 618 966                       |
| Engineering Services                  | 82 866 800                      | 120 932 600                        | 203 799 400                  | 204 890 773                    | 1 091 373                       | 192 638 568                      |
| Financial Services ■ ICT              | 78 926 100                      | 6 121 600                          | 85 047 700                   | 103 286 596                    | 18 238 896                      | 97 337 774                       |
| Management Services                   | 197 760 200                     | (113 010 100)                      | 84 750 100                   | 25 032 040                     | (59 718 060)                    | 36 068 284                       |
| <b>Total Revenue by Vote</b>          | <b>394 455 800</b>              | <b>16 715 ■■</b>                   | <b>411 171 744</b>           | <b>371 385 426</b>             | <b>(39 786 318)</b>             | <b>358 663 593</b>               |
| <b>EXPENDITURE</b>                    |                                 |                                    |                              |                                |                                 |                                  |
| Executive and Council                 | 47 237 850                      | 1 750 824                          | 48 988 674                   | 46 595 508                     | (2 393 166)                     | 41 788 183                       |
| Engineering Services                  | 59 117 386                      | 115 453 563                        | 174 570 949                  | 183 479 573                    | ■ 908 624                       | 162 042 652                      |
| Financial Services & ICT              | 101 227 260                     | (38 548 234)                       | 62 679 026                   | 60 375 194                     | (2 303 832)                     | ■ 658 163                        |
| Management Services                   | 186 752 022                     | (79 235 162)                       | 107 516 860                  | 52 572 092                     | (54 944 768)                    | 56 183 398                       |
| <b>Total Expenditure by Vote</b>      | <b>394 334 518</b>              | <b>(579 009)</b>                   | <b>393 755 509</b>           | <b>343 022 367</b>             | <b>(50 733 142)</b>             | <b>316 672 396</b>               |
| <b>Surplus/(Deficit) for the year</b> | <b>121 282</b>                  | <b>17 294 953</b>                  | <b>17 416 235</b>            | <b>28 363 059</b>              | <b>10 946 824</b>               | <b>41 991 196</b>                |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### REVENUE AND EXPENDITURE

|                                                                      | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|----------------------------------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>REVENUE BY SOURCE</b>                                             |                                 |                                    |                              |                                |                                 |                                  |
| Property rates                                                       | 69 193 000                      | -                                  | 69 193 000                   | 71 198 071                     | 2 005 071                       | ■ 106 657                        |
| Service charges - electricity revenue                                | 120 785 900                     | 5 446 200                          | 126 232 100                  | 122 224 269                    | (4 007 831)                     | 109 586 813                      |
| Service charges - water revenue                                      | 28 204 000                      | -                                  | 28 204 000                   | 27 451 147                     | (752 853)                       | 26 045 029                       |
| Service charges - sanitation revenue                                 | 11 310 000                      | 530 000                            | 11 840 000                   | 12 969 507                     | 1 129 507                       | 11 709 330                       |
| Service charges - refuse revenue                                     | 17 798 300                      | -                                  | 17 798 300                   | 19 851 521                     | 2 053 221                       | 18 665 813                       |
| Rental of facilities and equipment                                   | 1 960 700                       | -                                  | 1 960 700                    | 8 667 864                      | 6 707 164                       | ■ 530 947                        |
| Interest earned - external investments                               | 2 445 900                       | 754 900                            | 3 200 800                    | 6 282 982                      | 3 082 182                       | ■ 168 649                        |
| Interest earned - outstanding debtors                                | 1 718 500                       | -                                  | 1 718 500                    | 1 380 847                      | (337 653)                       | 2 382 181                        |
| Fines, penalties and forfeits                                        | 11 639 900                      | (50 000)                           | 11 589 900                   | 8 642 918                      | (2 946 982)                     | 17 574 647                       |
| Licences and permits                                                 | 66 700                          | -                                  | 66 700                       | 721 743                        | 655 043                         | 1 203 775                        |
| Agency services                                                      | 2 916 800                       | -                                  | 2 916 800                    | 1 951 011                      | (965 789)                       | 2 086 914                        |
| Transfers recognised - operational                                   | 98 669 913                      | 2 807 844                          | 101 477 757                  | 44 938 863                     | (56 538 894)                    | 41 189 131                       |
| Other revenue                                                        | 9 805 100                       | 401 000                            | 10 206 100                   | 18 883 390                     | 8 677 290                       | 22 357 107                       |
| Gains on Disposal of Properties                                      | 5 000 000                       | -                                  | 5 000 000                    | 5 053 906                      | 53 906                          | 5 374 242                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>381 514 713</b>              | <b>9 889 944</b>                   | <b>391 404 657</b>           | <b>350 218 038</b>             | <b>(41 186 619)</b>             | <b>337 981 236</b>               |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### REVENUE AND EXPENDITURE

|                                                   | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>■ | RESTATED<br>OUTCOME<br>2019<br>R |
|---------------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>EXPENDITURE BY TYPE</b>                        |                                 |                                    |                              |                                |                                 |                                  |
| Employee related costs                            | 134 136 490                     | 1 920 040                          | 136 056 530                  | 137 733 576                    | 1 677 046                       | 125 207 668                      |
| Remuneration of councillors                       | 5 763 700                       | -                                  | 5 763 700                    | 5 631 724                      | (131 976)                       | 5 441 248                        |
| Debt impairment                                   | 11 267 458                      | -                                  | 11 267 458                   | 19 860 753                     | 8 593 295                       | 23 471 071                       |
| Depreciation ■ asset impairment                   | 11 025 100                      | -                                  | 11 025 100                   | 15 207 316                     | 4 182 216                       | 13 604 848                       |
| Finance charges                                   | 12 762 870                      | (1 696 646)                        | 11 066 224                   | 10 855 080                     | (211 144)                       | 10 704 907                       |
| Bulk purchases                                    | 88 404 190                      | (4 010 000)                        | 84 394 190                   | 89 330 846                     | 4 936 656                       | 76 760 692                       |
| Contracted services                               | 28 209 600                      | (5 202 256)                        | 23 007 344                   | 24 606 371                     | 1 599 027                       | 25 013 541                       |
| Transfers and grants                              | 2 025 900                       | 1 929 970                          | ■ 955 870                    | 3 455 128                      | (500 742)                       | 580 970                          |
| Other Expenditure and Materials                   | 100 739 210                     | 6 479 883                          | 107 219 093                  | 35 943 810                     | (71 275 283)                    | 35 718 742                       |
| Loss on Disposal of Property, Plant and Equipment | -                               | -                                  | -                            | 397 763                        | 397 763                         | 168 710                          |
| <b>Total Expenditure</b>                          | <b>394 334 518</b>              | <b>(579 009)</b>                   | <b>393 755 509</b>           | <b>343 022 367</b>             | <b>(50 733 142)</b>             | <b>316 672 396</b>               |
| <b>Surplus/(Deficit)</b>                          | <b>(12 819 805)</b>             | <b>10 468 953</b>                  | <b>(2 350 852)</b>           | <b>7 195 671</b>               | <b>9 546 523</b>                | <b>21 308 839</b>                |
| Transfers recognised - capital                    | 12 941 087                      | 6 826 000                          | 19 767 087                   | 19 120 254                     | (646 833)                       | 20 682 357                       |
| Contributed Assets                                | -                               | -                                  | -                            | 2 047 134                      | 2 047 134                       | -                                |
| <b>Surplus/(Deficit) for the year</b>             | <b>121 282</b>                  | <b>17 294 953</b>                  | <b>17 416 235</b>            | <b>28 363 059</b>              | <b>10 946 824</b>               | <b>41 991 196</b>                |

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### CAPITAL EXPENDITURE

|                                          | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>■ | RESTATED<br>OUTCOME<br>2019<br>■ |
|------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>CAPITAL EXPENDITURE (VOTE)</b>        |                                 |                                    |                              |                                |                                 |                                  |
| <b>Multi-year expenditure</b>            |                                 |                                    |                              |                                |                                 |                                  |
| Financial Services & ICT                 | 2 450 000                       | (1 070 000)                        | 1 380 000                    | 1 379 949                      | (51)                            | 1 057 553                        |
| Management Services                      | 50 000                          | (15 000)                           | 35 000                       | 34 818                         | (182)                           | 635 977                          |
| Engineering Services                     | 9 554 714                       | 5 570 000                          | 15 124 714                   | 14 692 854                     | (431 860)                       | 7 948 583                        |
| <b>Total Multi-year expenditure</b>      | <b>12 054 714</b>               | <b>4 485 ■</b>                     | <b>16 539 714</b>            | <b>16 107 622</b>              | <b>(432 092)</b>                | <b>9 642 114</b>                 |
| <b>Single-year expenditure</b>           |                                 |                                    |                              |                                |                                 |                                  |
| Executive and Council                    | 1 939 800                       | 2 407 700                          | 4 347 500                    | 3 977 089                      | (370 411)                       | 1 618 863                        |
| Financial Services & ICT                 | 239 000                         | 1 361 800                          | 1 600 800                    | 3 527 788                      | 1 926 988                       | 1 006 193                        |
| Management Services                      | 5 245 731                       | (1 391 700)                        | 3 854 031                    | 3 536 736                      | (317 295)                       | 3 359 044                        |
| Engineering Services                     | 27 729 494                      | (10 788 500)                       | 16 940 994                   | 15 896 901                     | (1 044 093)                     | 21 325 942                       |
| <b>Total Single-year expenditure</b>     | <b>35 154 025</b>               | <b>(8 410 700)</b>                 | <b>■ 743 325</b>             | <b>26 938 514</b>              | <b>195 189</b>                  | <b>27 310 042</b>                |
| <b>Total Capital Expenditure by Vote</b> | <b>47 208 739</b>               | <b>(3 925 700)</b>                 | <b>43 283 039</b>            | <b>43 046 136</b>              | <b>(236 903)</b>                | <b>■ 952 156</b>                 |



# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### CAPITAL EXPENDITURE

|                                                      | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATE<br>OUTCOME<br>2019<br>R |
|------------------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b> |                                 |                                    |                              |                                |                                 |                                 |
| Governance and administration                        | 4 081 100                       | 228 500                            | 4 309 600                    | 6 226 217                      | 1 916 617                       | 2 850 620                       |
| Executive and council                                | 9 800                           | (400)                              | 9 400                        | 9 206                          | (194)                           | 180 404                         |
| Finance and administration                           | 4 071 300                       | 77 900                             | 4 149 200                    | 6 217 011                      | 2 067 811                       | 2 668 981                       |
| Internal audit                                       | -                               | 151 000                            | 151 000                      | -                              | (151 000)                       | 1 235                           |
| Community and public safety                          | 3 661 831                       | (930 900)                          | 2 730 931                    | 2 585 076                      | (145 855)                       | 4 693 122                       |
| Community and social services                        | 50 000                          | (5 000)                            | 45 000                       | 88 287                         | 43 287                          | 1 041 198                       |
| Sport and recreation                                 | 3 142 331                       | (935 000)                          | 2 207 331                    | 1 962 041                      | (245 290)                       | 3 648 124                       |
| Public safety                                        | 465 000                         | 10 500                             | 475 500                      | 531 648                        | 56 148                          | -                               |
| Housing                                              | 4 500                           | (1 400)                            | 3 100                        | 3 100                          | -                               | 3 800                           |
| Economic and environmental services                  | 13 340 438                      | (2 580 800)                        | 10 759 638                   | 9 869 090                      | (890 548)                       | 15 417 715                      |
| Planning and development                             | 1 856 900                       | 793 000                            | 2 649 900                    | 2 455 515                      | (194 385)                       | 32 452                          |
| Road transport                                       | 11 303 538                      | (3 373 800)                        | 7 929 738                    | 7 250 405                      | (679 333)                       | 15 385 264                      |
| Environmental protection                             | 180 000                         | -                                  | 180 000                      | 163 170                        | (16 830)                        | -                               |
| Trading services                                     | 26 055 370                      | (2 107 500)                        | 23 947 870                   | 23 168 600                     | (779 270)                       | 13 990 699                      |
| Energy sources                                       | 5 838 352                       | 4 982 500                          | 10 820 852                   | 10 766 458                     | (54 394)                        | 9 351 033                       |
| Water management                                     | 3 030 000                       | 1 988 000                          | 5 018 000                    | 4 138 214                      | (879 786)                       | 1 291 354                       |
| Waste water management                               | 15 637 018                      | (9 078 000)                        | 6 559 018                    | 6 566 182                      | 7 164                           | 766 267                         |
| Waste management                                     | 1 550 000                       | -                                  | 1 550 000                    | 1 697 747                      | 147 747                         | 2 582 045                       |
| Other                                                | 70 000                          | 1 465 000                          | 1 535 000                    | 1 197 154                      | (337 846)                       | -                               |
| <b>Total Capital Expenditure - Standard</b>          | <b>47 208 739</b>               | <b>(3 925 700)</b>                 | <b>43 283 039</b>            | <b>43 046 136</b>              | <b>(236 903)</b>                | <b>36 952 156</b>               |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### CAPITAL EXPENDITURE

|                                              | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|----------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>CAPITAL EXPENDITURE (FUNDING SOURCES)</b> |                                 |                                    |                              |                                |                                 |                                  |
| National Government                          | 10 641 087                      | 3 610 000                          | 14 251 087                   | 14 286 513                     | 35 426                          | 19 368 376                       |
| Provincial Government                        | 2 300 000                       | 3 216 000                          | 5 516 000                    | 4 833 741                      | (682 259)                       | 1 313 981                        |
| Transfers recognised - capital               | <b>12 941 087</b>               | <b>6 826 000</b>                   | <b>19 767 087</b>            | <b>19 120 254</b>              | <b>(646 833)</b>                | <b>20 682 357</b>                |
| Public contributions & donations             | -                               | -                                  | -                            | 2 047 134                      | 2 047 134                       | -                                |
| Borrowing                                    | 19 988 476                      | (10 339 500)                       | 9 648 976                    | 7 709 276                      | (1 939 700)                     | 6 623 301                        |
| Internally generated funds                   | 14 279 176                      | (412 200)                          | 13 866 976                   | 14 169 472                     | 302 496                         | 9 646 498                        |
| <b>Total Capital Funding</b>                 | <b>47 208 739</b>               | <b>(3 925 700)</b>                 | <b>43 283 039</b>            | <b>43 046 136</b>              | <b>(236 903)</b>                | <b>36 952 156</b>                |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### CASH FLOWS

|                                              | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|----------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |                                 |                                    |                              |                                |                                 |                                  |
| <b>Receipts</b>                              |                                 |                                    |                              |                                |                                 |                                  |
| Property rates                               | 67 809 140                      | (2 364 003)                        | 65 445 137                   | 70 120 375                     | 4 675 238                       | 63 449 416                       |
| Service charges                              | 174 536 236                     | (432 291)                          | 174 103 945                  | 170 183 681                    | (3 920 264)                     | 159 304 825                      |
| Other revenue                                | 17 854 354                      | 320 506                            | 18 174 860                   | 15 066 562                     | (3 108 297)                     | 22 740 322                       |
| Government - operating                       | 98 669 913                      | 2 742 000                          | 101 411 913                  | 44 116 011                     | (57 295 902)                    | 42 118 265                       |
| Government - capital                         | 12 441 087                      | 6 675 000                          | 19 116 087                   | 19 164 365                     | 48 278                          | 20 423 479                       |
| Interest                                     | 4 130 030                       | 696 187                            | 4 826 217                    | 7 663 829                      | 2 837 613                       | 7 550 830                        |
| <b>Payments</b>                              |                                 |                                    |                              |                                |                                 |                                  |
| Suppliers and employees                      | (358 379 125)                   | 4 592 358                          | (353 786 766)                | (288 712 583)                  | 65 074 183                      | (257 634 422)                    |
| Finance charges                              | (2 864 200)                     | (491 500)                          | (3 355 700)                  | (3 091 359)                    | 264 341                         | (1 856 421)                      |
| Transfers and Grants                         | (2 025 900)                     | (545 100)                          | (2 571 000)                  | (3 455 128)                    | (884 128)                       | (580 970)                        |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>    | <b>12 171 535</b>               | <b>11 193 156</b>                  | <b>23 364 692</b>            | <b>31 055 754</b>              | <b>7 691 062</b>                | <b>55 515 323</b>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                 |                                    |                              |                                |                                 |                                  |
| <b>Receipts</b>                              |                                 |                                    |                              |                                |                                 |                                  |
| Proceeds on disposal of Assets               | 5 000 000                       | -                                  | 5 000 000                    | 5 073 906                      | 73 906                          | 5 410 131                        |
| Decrease other non-current receivables       | 7 248                           | 433                                | 7 681                        | (639 137)                      | (646 818)                       | (1 392 051)                      |
| <b>Payments</b>                              |                                 |                                    |                              |                                |                                 |                                  |
| Capital assets                               | (47 208 739)                    | 3 925 700                          | (43 283 039)                 | (40 556 472)                   | 2 726 567                       | (37 245 713)                     |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b> | <b>(42 201 491)</b>             | <b>3 926 133</b>                   | <b>(38 275 358)</b>          | <b>(36 121 703)</b>            | <b>2 153 655</b>                | <b>(33 227 633)</b>              |

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# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

#### CASH FLOWS

|                                              | ORIGINAL<br>BUDGET<br>2020<br>R | BUDGET<br>ADJUSTMENTS<br>2020<br>R | FINAL<br>BUDGET<br>2020<br>R | ACTUAL<br>OUTCOME<br>2020<br>R | BUDGET<br>VARIANCE<br>2020<br>R | RESTATED<br>OUTCOME<br>2019<br>R |
|----------------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                 |                                    |                              |                                |                                 |                                  |
| <b>Receipts</b>                              |                                 |                                    |                              |                                |                                 |                                  |
| Borrowing long term/refinancing              | 16 778 596                      | (16 778 596)                       | -                            | -                              | -                               | 17 000 000                       |
| Increase (decrease) in consumer deposits     | 241 304                         | 40 485                             | 281 789                      | 331 049                        | 49 260                          | 189 029                          |
| <b>Payments</b>                              |                                 |                                    |                              |                                |                                 |                                  |
| Repayment of borrowing                       | (5 200 000)                     | (203 731)                          | (5 403 731)                  | (5 962 686)                    | (558 954)                       | (3 506 160)                      |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>    | <b>11 819 900</b>               | <b>(16 941 842)</b>                | <b>(5 121 943)</b>           | <b>(5 631 637)</b>             | <b>(509 694)</b>                | <b>13 682 869</b>                |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b> | <b>(18 210 056)</b>             | <b>(1 822 553)</b>                 | <b>(20 032 609)</b>          | <b>(10 697 586)</b>            | <b>9 335 023</b>                | <b>35 970 559</b>                |
| Cash/cash equivalents at the year begin:     | 40 401 900                      | 43 336 970                         | 83 738 870                   | 83 738 870                     | -                               | 47 768 311                       |
| Cash/cash equivalents at the year end:       | 22 191 844                      | 41 514 417                         | 63 706 261                   | 73 041 284                     | 9 335 022                       | 83 738 870                       |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b> | <b>(18 210 056)</b>             | <b>(1 822 553)</b>                 | <b>(20 032 609)</b>          | <b>(10 697 586)</b>            | <b>9 335 023</b>                | <b>35 970 559</b>                |

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